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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2144

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CONTENTS

 [III - EE - 64]

HUNGARY

RELATION BETWEEN ECONOMIC PLAN, RESEARCH, DEVELOPMENT EXAMINED

Budapest TARSADALMI SZEMLE in Hungarian No 5 May 81, pp 11-22

[Article by Pal Tetenyi: The Sixth Five-Year Plan and Research, Development]

[Excerpt] An increase in the importance of research and development, and the altered role which it must play in economic-social development, makes it necessary that we weigh critically the actual possibilities of domestic research, modify the institutional system of research and technical development, and better promote its relationship to other areas of social activity, and improve the area means used in assuring economic conditions for planning and organizing research.

Research and development, and its system of national planning, is being modified. The task of the national research plan has been fulfilled up to now by the long-term scientific research plan approved in 1972. The medium-term economic plans included research-development outlays.

Despite indisputable results, this planning system has not adequately served the harmonization of research goals with economic tasks and the concentration, to an appropriate degree, of research-development on main tasks. Some main guidelines and target-oriented programs in the long-term plan exerted a certain orienting effect, but they represented more or less only a loose framework for research-development activity. The long-term plan promoted the research concentration only slightly. The subjects indicated in certain institutional plans were taken into most of the main guidelines or the target-oriented programs on the basis of reports. Little attention was paid to the conditions for introducing the results during the working out of the national plans, and the 15-20 year time span for planning did not make this possible.

The following also lent to the fact that the concentration of research tasks has progressed slowly: between 1969 and 1979 the number of research subjects per 100 researchers declined only slightly, and is still around 120.

These facts justified a significant modification of the planning system. The Sixth Five-Year Plan includes the main guidelines for research and development, the outlays, and the main tasks in the field of organizing research and development.

Linked to the economic plan is the OKKFT [National Medium-Term Research-Development Plan], which sums up the main tasks of research and development and the national medium-term research-development programs.

Tasks of the Economic Plan and Domestic Research Development

The increased importance of scientific research and technical development is given appropriate tasks in the economic plan: on one hand it must contribute to the attainment of direct economic goals and on the other hand to the establishment of development bases for the coming decades.

The economic plan and the OKKFT promote the fulfillment of this dual research-development task, immediate and long range, by indicating the main national lines (priorities) of technical development.

Priority must be given to research tasks and technical development which increase the exploitation of natural treasures and their rational utilization, and the efficient utilization of energy and materials, and to research-development jobs which provide a basis for the manufacture of electronic parts, pharmaceuticals and herbicides. In the agricultural field, priority goes to biological, soil cultivation, agrarian and technical research tasks which reduce the per unit production expenditures, primarily in the two basic product groups of grain and meat. In social science, emphasis must be placed on research tasks which provide a basis for the development of the social organization, economic organization and guidance, and the school and public education system.

Fifteen priority national research programs have been prepared. These programs include concrete, circumscribed and well-defined tasks, which in part are to be completed by 1985 and in part will promote the solution of economic tasks after 1985.

Enterprises and national organs interested in the introduction of results will finance programs, supervise the process of carrying them out, and also see to the introduction of the results. For their execution, the OKKFT prescribes about 15 to 20 percent of the expenditures. The heads of the appropriate ministries are responsible for carrying out the individual programs.

The priorities must almost fulfill the role of crystallizing the foci, and exercise an orienting effect on the selection of subjects. In addition to the national programs, it would be desirable also for a significant portion of the branch programs designated by the ministries to fall within the priority sphere, and for the institutions--in the course of putting their medium-term plans together--to develop priority programs both in basic research and in the field of research projects with immediate economic goals. On the basis of broad, fundamental problem research tasks which belong to certain priority areas, additional concrete programs can be developed in the future similar to the way that national, medium-term programs were developed in the framework of the long-term plan as a result of research activity conducted over a long period of time. In this way we can assure the combined and continuous realization of the immediate and long-term functions of research and development.

The medium-term research-development plan is not a closed system. The priorities as well as the concrete programs can be modified, expanded or eliminated if the circumstances, the results of the research-development--or their lack of results--justify it.

The economic plan ascribes great importance to the continuing support of basic research tasks designed to discover the phenomena, interrelationships and interdependencies which are in harmony with our socio-economic goals, but by their nature are not directed at concrete economic goals. According to the medium-term plan, about 10 to 12 percent of the total source must be devoted to the support of basic research. This is a rather small ratio if we consider that in the industrially developed countries in the middle of the 1970's an average of 22 percent of the research-development expenditures went for basic research (10.3 percent in the CSSR, 11.8 percent in Poland, 16.9 percent in Bulgaria, 23.7 percent in Belgium, 21.4 percent in France, and 26.1 percent in the FRG). In our present situation, however, we need to devote a greater ratio of the research-development capacities to research-development tasks with an immediate economic goal, and this is the reason for the lower ratio for basic research. But we must avoid reducing the extent of the basic research projects.

Because of the limited means available for basic research, we must establish centers of gravity in this area as well. But the centers of gravity are independent of the titles for the research subjects. We must give special support (greater than average) to research projects designed for the solution of high-level and, from the scientific point of view, timely problems which have earned international respect. We must discontinue the support of research projects which are unsuccessful and untimely from the scientific and social point of view. This means that in planning basic research we must also give up the base outlook: in the awarding of research funds the basic point of view should be the success of the scientific work conducted thus far. In judging basic research goals, we must not start from the "economic" importance of the planned research conceived in a forcible way, because this is not a unit of measurement to evaluate basic research. In this area, the criterion--in addition to scientific success--should be the scientific timeliness of the proposed problem to be researched.

Between 1981 and 1985 the economic plan calls for about 3 percent of the national domestically spent income (more than 100 billion forints) to be devoted to research and development. (Between 1975-1980, about 86 billion forints were available). The use of 3 percent of the national income for research and development goals is a significant effort on our part. This ratio is greater than in most of the developed industrial countries, less than in the Soviet Union (4.8 percent), the GDR (4 percent) and the CSSR (3.9 percent), but exceeds the expenditure ratios for similar goals by the other socialist countries.

But our per capita expenditures lag significantly behind the sums devoted to research and development by the developed countries. In 1976-1977, the per capita research expenditures in Austria came to $75, in France $115, in Sweden $158, and in the FRG $240. In Hungary the per capita expenditure in 1977 amounted to 1,695 forints (about $45).

A significant increase in research-development expenditures is subject to more than direct economic limits. The conditions for practical utilization of the research results also set limits to an increase of the sums. Various data indicate that the costs needed for the introduction of research results exceed by six to ten times the sum of research expenditures necessary for attaining the results. It follows from this that the real limits to increasing research-development expenditures are set by the extent of the sources available for introducing them.

In weighing the extent of domestic support for research and possibilities for introducing the results, we must state: in respect to the success of domestic research and development, it would not be realistic to expect sky-rocketing changes merely from the fact that the social demands placed on research--with the exhaustion of extensive development sources--have increased. At the same time, experience shows that up to now it has not been so much the limited nature of the resources which inhibited the success of domestic research and development but fragmentation, and the different obstacles to the introduction of the results obtained. With a better grouping of the resources, with an essentially better utilization of the possibilities in international cooperation, with more careful organizational work, and with more deliberate realization of the direct and indirect means of guidance, research may become a powerful motivating force in the intensive development of the economy even amid present economic endowments.

To do this, however, it will be necessary to make changes in our thus far, more or less, successful guidance and organization methods and continuously solve the contradictions deriving from the differences between practice as it has developed and the new requirements.

The Financing of Research-Development

About 22 percent of the research-development expenditures must be charged to the state budget, 74 to 76 percent to technical development funds, and 2 to 4 percent to other sources. The ratio of sources used by the enterprises is increasing in accordance with the growing importance of enterprise research-development; they use directly about 53 percent of the total sources as compared with 48 percent in the 1976-1980 period. The ratio of enterprise sources coincides by and large with the values that have come about in most of the developed countries (53.7 percent on the average in 1976 in the developed countries, with a growing trend).

The developed and much debated source of research-development financing in Hungary is the technical development fund, which is formed from a definite percentage of the production value but varying from industrial branch to branch. The clear advantage of this solution is that it makes greater planning foresight possible and affords greater security than if the enterprises were to make decisions from the viewpoint of their momentary situation as to how much they should spend on research and development.

The disadvantage of the method is that it determines with obligatory force and without a concrete understanding of the endowments the minimum sum which must be reserved for technical development goals (the research-development may be

increased to an extent exceeding the technical development fund, and be charged to costs). The technical development funds vary by branch, and even sometimes by enterprise, but still they do not provide for sufficient differentiation. This is shown by the fact that at the end of 1979, the unused stock of funds was close to 5 billion forints, of which more than 2 billion forints (20 percent of the annual enterprise sources) was unobligated. At the same time, a number of enterprises--which had a need--spent sums significantly exceeding their technical development funds on research and development.

Another disadvantage of the method is that some of the enterprises do not investigate to what extent the expenditures charged to the technical development funds are justified inasmuch as they have no possibilities for using the funds for other goals.

By weighing all these advantages and disadvantages, the conclusion was arrived at that it would not now be advisable basically to change this method of technical development financing because such a change would have great latent dangers. This also is an example of the contradictory nature of our situation: despite the increase in the research requirements of the economy there is still need for the use of regulatory means that guard research against short-term interests.

The method of formation has been changed: the technical development fund is formed not on gross receipts but according to the value ratio of material-free receipts. Thus with the increase in the percentage of research-intensive products, the sources available for technical development increase more rapidly. The technical development fund in mining, the electric energy industry, and pharmaceuticals increase in accordance with the goals of the Sixth Five-Year Plan. The technical development fund has been introduced in designated large agricultural operations.

The incentive elements of financial regulation are developing and changing. In the interest of stimulating enterprise introduction of attained results, the tax on the institute sharing fund declines in ratio with the increase of receipts deriving from the profits of practical introduction in research institutes which manage with the enterprise system. On the basis of evaluating the annual activity of a research institute, within certain limits, the supervisory organs alter the extent of the tax-free portion of an institute's profits. This provides the ministries with a means for better recognition of more valuable research-development work and participation in national programs. Regulations serving the realization of similar preferences have also been brought into being at research institutes operating within the budgetary system.

The Research Network

In 1979, 125 research institutes, 1,071 university and college faculties, and 245 other (mostly enterprise) research units operated within the country. A total of 84,600 persons worked at these research units and among them 38,000 were researchers, teachers and development engineers. In addition to research, the personnel also carries out other tasks. Purely research personnel amounted to 63,000, of whom 56 percent work in research institutes, 29 percent in enterprises, and 13 percent at universities. Almost 50 percent of the research-development

expenditures were spent by the research institutes, 32 percent by enterprises, 9 percent by faculties, and 9 percent by other than research units.

In Hungary, the ratio of researchers and engineers occupied in research and development as compared to the population as a whole is greater than in the developed capitalist countries and less than in most of the European socialist countries. In the past 10 years the number of researchers in Hungary has almost doubled and the number of those employed in research and development has increased by more than 1.5 times.

In the coming years instead of increasing the number of those engaged in research, we must strive to increase expenditure per researcher and intensively develop the research basis. This is justified by the rational utilization of research-development sources, better subject concentration, and the need for better equipping the researchers. Improving quality, increasing the demands placed on researchers, appropriate cadre exchanges, and the assurance of greater mobility will be on the agenda.

In examining the research network, the relatively small ratio of enterprise and higher education expenditures is striking. In most of the developed countries, the production sector shares in 50 to 70 percent of the national research-development expenditures, while higher education makes up 20 to 30 percent. Going beyond international comparisons, our experience also indicated that in the coming years we must strive primarily to strengthen enterprise and faculty research. A general examination of research institute activity also led to this conclusion.

The Research Institutes

Our present research institute network has developed over three decades. Its establishment was justified by the circumstances in the initial period of the socialist transformation: the skyrocketing increase in the educational tasks of institutions of higher education, the requirement for the wideranging general modernization of industry, and the necessity for a smooth development of scientific research tasks. In the 1950's and 1960's research institutes were organized virtually for every new, important task. Most of the necessary experts were drawn from industry and higher education, while the main body was recruited from the recently graduated.

The tasks of the industrial research institutes were set in the first period by plan directives, and in principle the introduction of the results worked out thereby had to be assured with the help of directives. The change in the system of economic guidance modified this situation: cooperation on an economic basis took the place of "directive" cooperation, and the enterprises financed research in the framework of ministerial contracts. The managing organs regard it their obligation to supply the many research institutes with a large number of personnel (between 1969 and 1978 the personnel rose from 28,000 to 36,000) to assure their survival. In many cases this leads to a fragmentation of means to the operation of parallel capacities. At institutes operating in a budgetary management system, on the other hand, the basic outlook obstructs the adjustment of research subjects to changing requirements.

Important and successful research-development activity is being conducted at most of the research institutes. We must evaluate positively the fact that in the 1970's the research institutes turned more resolutely to practical problems, and it is in this area that they achieved results.

The structure and character of the activity conducted by the research institutes has changed. Between 1967 and 1978, the basic research ratio declined by 25 percent and development topics increased by 30 percent.

There are also admonitory and worrisome phenomena. In the past 10 years the ratio of those with scientific degrees has declined by 25 percent. Publications, one of the basic representational forms of scientific work, cannot be regarded as satisfactory at a significant portion of the institutes. The number of intellectual studies and inventions is low: on a national average there are 11 inventions per 100 researchers at technical research places and 7 at research institutes. At agrarian research institutes, the number of developed new types per 100 researchers is less than the national average.

We must also increase the directly economic oriented research at the institutes. According to the surveys made by the machine and chemical industry institutes, the results of their activities effected 2 to 4 percent of the gross annual production of a given industrial branch. Between 1976 and 1979 the machine industry research institutes used about 35 percent of the research-development expenditures, although their share in the development of new products was only 2 to 3 percent.

In the case of research tasks with direct economic goals, the biggest problem is caused by difficulties in realizing results. Investigations show that the enterprises are hardly familiar with the work of the research places, and the research places on the other hand are hardly interested in enterprise utilization in cooperation with the enterprises, and in joint risk undertaking.

As a consequence of the difficulties in transposition and of the obstacles to the practical introduction of research-development results, the research institutes are compelled, partly also for economic reasons, to develop innovation links within their own walls, and to carry out to a significant extent themselves the manufacture and servicing of developed products. Naturally, small scale manufacture of a product also belongs to fulfilling research-development and to evaluation. There is a problem, however, in the fact that the developed product, which is often of outstanding quality, is not transferred to the enterprises. Of the research institutes' capacities, 20 to 25 percent is devoted to production, 8 to 10 percent to services, and about 10 percent to data-gathering, organizing and classifying activity. All this points to a disadvantageous use of the valuable intellectual-technical capacity at research institutes.

According to experience, an enterprise can successfully take over the external (research institute) results if these promote development to [meet] the enterprise's strategic goals. The reason for the lack of success in adaptation is that the results are of marginal importance from the viewpoint of enterprise strategy, and that developments do not take into account the real economic, technical and intellectual resources of enterprises and of the supporting

industrial resources. Frequently, an unsuccessful adaptation due to the lack of mutual material incentive.

In addition to the introduced planning and financing modifications, organizational changes based on completed studies will take place in the research institute network in 1981-1983.

One portion of the modifications serves to make the research base activity to improve enterprise technical development. The management of a number of research institute enterprises will be merged. Other institutes will become economic units, or operate in an enterprise framework.

A new type of institution is being established: the development enterprise which will play the transmittal role in the innovation chain and creates conditions for the practical application of research results. Such enterprises play an important role in many countries. The incentive and accounting system of these enterprises--now in the process of being worked out--do not primarily stimulate the implementation of their own research but see to it that the institute helps the enterprise to introduce existing findings. The modification is designed to see that the development enterprise will in its subject selection adjust better to the development strategy and requirements of the producer enterprises, and compel the adoption and adaptation of new results and the performance of organizational work related thereto. All in all, 11 research institutes will be transformed into development enterprises, or be put under enterprise management. Various institutes will also be combined.

The other direction of the organizational modifications is related to the fact ah that research and development, at some of the institutes which until now have been known as research institutes, although important, has played a subordinate role among the other tasks--documentation, organization, therapeautics and quality control. In order to assure a better harmony between actual tasks and the institutional form, 22 research institutes--chiefly medicine and social science--are being developed into publicly financed institutions.

For now only smaller scale changes will take place at the natural and social science research institutes. The long-term goal is for most of these institutes to be linked more closely to the universities; but the conditions for this are not as yet ripe. We are also starting a new model, which is widely spread abroad, the experimental trial of the so-called interdisciplinary institute." This is a research center, where some of the researchers, on the basis of invitation or competition, spend several years performing a definite research task. The advantage of this form is that it gives a broader scope of experts the opportunity for work in a research institute, and promotes an extremely important subjective and personal mobility in research.

In summary, by 1983 the status of almost 40 research institutes will change. The changes will affect about 10,000 to 12,000 workers at research institute, one-third of the entire research institute personnel. Of course, their work will also be needed by the institutes in the new organizational form. The organizational transformations signify the beginning of a process, the goal of which is to

reduce the isolation of the research institute network, and bring the research institutes organizationally closer to enterprises and universities.

The organizational changes by themselves cannot, of course, assure increased results. It is important at least that they better adjust their organizational activities to socio-economic requirements.

In most of the research institutes it is also necessary to improve and develop the scientific creative spirit. In recent years, partly as a consequence of the approach to practice, the scientific demand for scholarship in the institutes has been forced into the background. There is little work-place debate, the scientific councils are hardly operating. The work of the researchers is not followed attentively, and in certain institutes, especially the young researchers receive little support. The basic condition for the intensive development of research institute activity is a democratic attitude, open and creative discussions, and a fuller unfolding of the inner scientific atmosphere.

Questions of Enterprise Research-Development

Of key importance in the fulfillment of the tasks indicated in the Sixth Five-Year Plan is the extent to which the enterprises demand the new processes, and the extent to which they will be capable of further adapting, realizing and developing them. Therefore, it is necessary to improve the conditions for enterprise research and development. In the interest thereof, the technical development basis of the enterprises is increasing to a significant extent.

To establish innovation, the utilization of new technology achievements, the development of new production procedures and products, and the introduction of new management and production organization methods can only be encouraged with economic incentives. The primary criterion for modernizing production are short-term and long range forecasts of the market needs and market demands. Product changes cannot be motivated by modernization according to abstract criteria; this is purposeful only if the increase in the use value of product, according to the buyer, is also in proportion, extra costs included in the higher price. This requirement applies to both domestic and foreign markets. Therefore, development decisions must be based on a very circumspect technical-economic analysis, and this requires appropriate enterprise preparation. And still experience shows that within the enterprise, technical development activity does not always mesh organically with the enterprises' process of market-oriented development.

The rate of product development in Hungary still does not meet the demands set by competition. General experience shows that the level of the industrial processing of our products, their modernity, quality, their packaging--in addition to other reasons--contributes to our lag on the markets of the developed industrial countries. The average age of our machine industry products increased significantly between 1967 and 1977: the share of products that are 3 years old or less fell from 31.9 percent to 20.7 percent of the annual machine industry production, and thus the modernization of the products did not keep pace with production volume increase.

Product development is often not followed by production growth. The latter is only occasionally linked to the system organizational and training (work culture) reforms. As a consequence, production technology at most of our enterprises are not (at the same level). Elements of productivity is hindered by the interpolation of low technology into the production process. Technical development, as it is separated to a certain extent from the complex development of the enterprise, frequently is not directed at raising the general level of the production culture but at modernizing certain isolated elements.

In enterprise development, further great importance must be ascribed to the adoption of modern procedures and products in the framework of license and know-how purchases. In the past decade the use of foreign licenses has increased to an important degree: sums devoted to license purchases increased by about nine times between 1970 and 1979; and the marketing ratio of products in industrial production manufactured on the basis of licenses has more than doubled. The increase of license use has been particularly dynamic in the chemical, machine and light industries.

The purchase of foreign licenses generally advantageously alters the activity of the receiving enterprises: it results in the elimination of the manufacture of obsolete products, it increased the exportability of products (although in this respect the hopes tied to license purchases have not been realized in every case), and by virtue of the purchases the international contacts of the enterprises are strengthened, and their experiences are broadened. Adaptation favorably influences technological discipline, and the organization of the receiving enterprises.

Of course, it is not in the interest of the licence granter to pass on the most modern technology, and thus the adoption generally results in a emulative development. A small country is not capable of fully divesting itself from an emulation policy, but in any event it must conduct this policy rationally. A rational emulation policy cannot be limited to the simple reproduction of original products but must be taken over and reproduced at a higher level on the basis of improving the available scientific achievements and manufacturing experiences. License purchase, therefore, must be regarded as a supplement to domestic research-development, and not as an alternative. Accordingly, the research institutions must be more involved in the purchase and adaptation of licenses. In the interest of increasing the economic efficiency of license purchases, we must strive to reduce significantly the present, extremely long take-over time of 30 to 40 months.

From the point of view of enterprise development it is of basic importance that we give better recognition to the developmental activity of specialists within an enterprise. The surveys conducted by the National Technical Development Committee show that technicians dealing with daily production problems are financially better remunerated than the research-development engineers at the enterprises. This gives little incentive to professional progress. We do not want to make a fetish of the academic degree, but still it provides food for thought when we consider that the ratio of those with an academic degree among the enterprise development experts is low (1.5 percent). The attainment of an academic degree testifies not only to the independent work of a dissertation

but also to the acquisition of certain professional knowledge and also foreign language ability. Enterprise development cannot do without experts who have such capabilities.

Among our tasks are a comprehensive examination of the enterprise research and development situation and of the incentive and regulation system. The facts, primarily the good examples, show that it is not primarily the measures outside the enterprise but of a certain degree of change in outlook within the enterprise that can result in a suitable and justified respect for enterprise research-development work.

The Sixth Five-Year Plan is based on the efficient utilization of existing resources, on knowledge existing at hand and which is intellectually available, and on expertise. Significant tasks fall on research and technical development in the fulfillment of the plan and in laying the foundation for the intensive development of the economy. For science to meet these tasks, it is necessary to more effectively concentrate resources, to coordinate goals, and to improve management, planning and regulation methods. Of basic importance is the development of a better system of relationship between development and production. We must also make better use of the potentials in international technical and scientific cooperation. The change of outlook necessary for this purpose and the development of organizational methods--which is beyond the scope of this paper--is an indispensabley important task.

The economic plan puts great value on intellectual resource potentials. An important condition in realizing these potentials is the rational management in everyday matters of intellectual assets. This is true when decisions on starting and financing a given research task are made and when we make decisions the future fate of the results, the invention, the intellectual product. The most important thing for the researcher and the development engineer, is that he see the realization of the attained results. We are confident that the coming years hold many such results for the creative man and the creative collective.

8664
CSO: 2500/265

SITUATION OF UNPROFITABLE ENTERPRISES VIEWED

Budapest MAGYAR HIRLAP in Hungarian 29 May 81 p 7

[Article by Gyorgyi Rajna: "The Deficit Ones: A Panorama of Last Year's Panorama. Figures From the Enterprise Balances"]

[Text] Summing up the results of management last year, the Ministry of Financial Affairs treated separately the enterprises and cooperatives which showed a deficit or lack of funds and for the financial putting in order of which a new regulation was published in the recent past.

As its last spectacular action the Red Star Tractor Factory ceased production at the beginning of the 1970's; the new owner--the Raba Hungarian Wagon and Machine Factory--rebuilt the halls, reorganized the technology and transplanted new products. Since then, except for a few smaller council enterprises and cooperatives, hardly a single badly managing unit has ceased production. And yet, long since, society would have judged this a natural token of management!

Too Many? Too Few?

But a few years ago there was an increase in the number of enterprises struggling with financial difficulties. At that time their fate was decided on the basis of a temporary regulation. Since the more strict regulators last year increased the requirements further it was expected that the number of those becoming financially unstable would increase quickly.

This process can be felt, if to a modest degree. The number of those managing at a deficit or with a shortage of funds increased among non-agricultural enterprises and cooperatives as compared to both 1970 and 1979; there are 46 in this category, the majority of them both deficit and short of funds, with a deficit of 3.5 billion forints.

Is this m...y or few? Opinions are divided even in professional circles. If we look at the fact that there are more than 1,300 enterprises in industry, and that the shortage of shares funds and developmental funds comes to about 10 percent of all funds we might say that the deficit is not significant. Nor is the number large if we take into consideration that at the time of the introduction of the new price and regulator system--in accordance with central intentions and signs from the enterprises--they counted on a strong increase in the number of units struggling with financial difficulties and on a sharpening of the differences. In fact they counted on almost double the present number!

But all of this can be viewed from another side too. Is it possible that the planned strictness did encourage the enterprises to better management, prompted them to tighten their belts? It is possible...

But whatever the reason it is a fact that compared to preceding years the number of enterprises unable to pay increased significantly, the number of those operating at a deficit almost doubled (it is now 21), the number of those short on developmental funds increased 1.5 times (this number is now 34) and only the number of those short on shares funds decreased, from 15 to 9.

If There Are No Shares

So it is difficult to decide, but we are not even trying to do so now. Still, there can be no doubt that those falling back--those operating constantly at a deficit--are really causing a big problem. Year after year they indicate a shortage in their balances and if their situation is somehow put in order at times their financial balances again break down.

It is a characteristic of the "club" of deficit enterprises that half of them come from the construction industry. There are places where production has declined because manpower was lacking; in other places there was a decline in business or the costs of quality complaints caused the difficulty. But the most characteristic cause--and not only in the construction industry--is that performance moderated due to poor organization or the increase in nonproductive expenditures--penalties, late fees and fines.

A shortage of shares funds is a phenomenon accompanying deficit management. (It is left to the enterprises in what ratio to distribute profit after taxes, for shares or for development, but the taxed profit must be sufficient to meet certain obligations.) This happens if the money is not sufficient to balance the welfare and cultural fund, to pay the wage development tax and to pay innovation prizes, scholarships and housing construction support. (They have no obligation to pay end of year shares!) The majority of those in this category also are construction industry enterprises and cooperatives. There are also three large enterprises where they supplemented the welfare and cultural fund during the year--in accordance with the collective contract--despite the fact that they could not generate a shares fund by the end of the year. In many places there is still no obligation in the collective contract that they cannot supplement this fund if profit does not reach what was planned.

In other places they carried out a high wage development which was not justified by the performance index. Thus, as a "punishment," they had to pay a certain sum into the budget and this very sensitively affected the enterprise balance. Outstanding among them in regard to magnitude is a megye council construction industry enterprise which raised the wages of its workers by 5.4 percent although it could have been foreseen that its profit would not cover this. So it would have had to pay in 15 million forints as opposed to its shares fund of 1.8 million forints! From what...?

We can conclude from the examples that in the construction industry they were not able to counterbalance the moderation in production with a decrease in costs everywhere. This should be a warning because it cannot be expected that the number of orders will increase in the near future!

The enterprises short on developmental funds are moving over a broader scale than before. In addition to the construction industry enterprises, by far the majority, we find here a few firms from light industry and the machine industry, also. (The developmental fund is burdened by repayment of loans, refilling working funds, etc.) However, the number of machine industry enterprises in this category is very small, the purses of enterprises which have been struggling with financial difficulties for years were supplemented temporarily last year.

Disadvantageous Investments

It is worthy of note that three quarters of the developmental fund deficit is concentrated in a few larger enterprises. Nine units had trouble with the developmental fund in earlier years also, due to low profits, and thus never generated enough money to pay off the loans. And although the loans were rescheduled several times they used their reserve funds to increase developmental resources.

A number of enterprises carried out investments which did not bring the promised profit and this damaged enterprise performance. This was true also because they had to pay back the indirect state support for this from the development fund.

Tomorrow we will report on how the financial situations of deficit enterprises and those short of funds are put in order.

8984
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EFFECT OF ECONOMIC POLICY ON AGRICULTURE ANALYZED

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 19, 13 May 81 p 3

[Article by Dr Bela Kadar, university professor at Debrecen University of Agricultural Sciences: "Some Economic Questions Concerning the Increase of Production"]

[Text] In recent years the overall growth rate of agricultural production has slowed down. Development resources have become tighter on the national economic level as well as at the enterprise level. Growth was dynamic in only a few branches (wheat, corn and milk production). At the same time the enterprises paid less attention and spent less resources on fodder crops, leguminous plants, some industrial crops, beef cattle production, and large scale grape and fruit production. It appears that an unfavorable discrimination prevails in the producer cooperatives and state farms between large and small branches, between branches incorporated into the production system and ones outside of it, between branches producing direct income and ones which produce products for domestic consumption.

Declining Profitability

The rate at which costs are rising is a serious concern to the growth of basic agricultural activity. Cost per production unit has more than doubled in the last 12 years in practically all branches. Between 1968 and 1975 this increase occurred because of the additional expenditures and investments, and--mainly in the early part of this period--this was also realized in increased yields. Since 1976 the rise in costs was caused by price increases of the production equipment used in agriculture, and by the decrease in subsidies and increased taxes. We can hardly speak of any increases in supplementary expenditures.

Rising costs are a worldwide phenomenon. In the USA, for example, in the last 12 years the cost of the means used in production has increased by 258 percent, the cost of agricultural products by 215 percent, and the production yields of crops increased by 134 percent. The rising trend in the prices of the means of production followed a similar path in this country. The increase in production levels was similar to that of the USA, but at the same time the price increases for products derived from the plant crops and from raising livestock were significantly less than there. A disparity has therefore developed between the product prices of basic agricultural activity and the costs of the means of production, and this has been widening every year.

As a result of the above outlined circumstances the profitability of the basic activity's branches has developed generally unfavorably. The price gap between the wholesale prices of agricultural products and enterprise costs has narrowed. Crop production as well as livestock raising has registered losses in more and more agricultural operations.

To increase production three paths can be taken into consideration by the agricultural enterprises in the period ahead of us:

1. changing the production structure to increase income,
2. economically increasing the level of production, and
3. more favorable economic regulators (pricing policy).

Changing the Production Structure

The question arises, how large changes in the structure will be made possible from year to year by the [available] resources? Approaching this from the direction of investment resources, we can expect that in most farms the amortization and development fund being formed is sufficient essentially only to replace the fixed assets as they wear out. This means that fixed assets will be replaced at about a 10 to 15 percent rate annually in field crop production, 5 to 10 percent in the vineyards and fruit orchards, 4 to 10 percent in auxiliary activity, and 2 to 4 percent in livestock raising.

It follows from the foregoing that at this time relatively higher increase of income is expected from modifying the planting structure of field crops, whereby the production factors: the land, and the machinery which works the land, provides transportation, provides pesticide protection, and in part does the harvesting, the drying and storage facilities can be used in several branches, as can the people who operate this machinery.

Domestic self-sufficiency in the various fiber- and oil-producing plants, tobacco, sugar, and in part even vegetable protein fodder can be achieved if appropriate financial incentives exist, and through better organization and procurement by the system operators who organize the technical development of various branches, and by the vertical integrators responsible for coordinating production. The export of agricultural, horticultural and other small seeds, and production for capitalist firms can expand through good market research and trade activity. Unfortunately the exploitation of opportunities has decreased in these areas.

The main opportunity in livestock raising will be to develop branches which can utilize existing [stall] spaces, because resources for construction investments are available in only a few operations.

The possible direction of structural changes in basic activity fulfillment of the domestic requirements, may be to take advantage of favorable export opportunities, and conservation of imports. Of course, appropriate changes in the conditions at the place of production, in enterprise resources, and in its relationship with the existing branches is justified if the profitability of the structural changes can otherwise be proven to be realistic by estimates for the branch. Careful preparation of preliminary calculations for the economic activities is practical on the yearly basis, broken down into land sections and operations, because production is conducted under varying conditions on the various parts of a farm.

We can counterbalance the rapid rise of prices caused by increased costs in the means of production, primarily by dynamically increasing the production levels. One basic concern is that at the present time the resources to expand production are scarce in 55 to 60 percent of the producer cooperatives. Moreover, according to the statement Istvan Szabo published in this year's first issue of GAZDALKODAS [Economic Operation], in 25 percent of the producer cooperatives the inventories and resources needed for production are decreasing year by year, and as a result of this the level of production is also declining. Thus the opportunity to accomplish double [harvest] production using supplementary expenditures and significantly more modern production tools exists in barely one-half of the farms.

Increasing the Level of Production

We can see the following possibilities to successfully increase the production level through good professional work:

--more proportional distribution of the farm's financial resources and means between the branches, sites and land sections, while keeping the end results in mind.

--introduction of technology which takes into consideration the local circumstances and facilities, as well as the financial circumstances; the optimally timed and economical application of this [technology];

--improving the efficiency of the available resources without making further financial investments by, for example, the crop siting, crop rotation, use of barn manure as fertilizer, and by making use of the various byproducts, by good breeding work, proper distribution of the fodder inventory, by decreasing the losses in harvesting and storage, and other areas, plus animal mortality;

--knowledgeable selection of the seeds and breeding stock on productivity, productive quality, utility value, price and cost relationships, etc;

--reasonable frugality in making financial expenditures like using less costly pesticides, chemical fertilizers, feeds, energy efficient machinery to till the soil, maintaining livestock raising technologies, improving the quality and value of the products, etc;

--many proven organizational methods and procedures have been introduced in the state farms and producer cooperatives which, if studied and adapted, can contribute to increasing the level and success of production.

Decreasing the price disparity between the means of agricultural production and product prices has become extremely urgent. Further tax increases and decreasing subsidies may prevent expanded production in basic agricultural activities in the majority of the farming operations.

Inexpensive and reliable production equipment from the domestic and socialist markets must be made more readily available for agricultural production. That is, our present agricultural product prices no longer cover the cost of production equipment and materials obtained from capitalist import.

Improving the National Economic Regulators

Without changing the national economic regulators the profitability circumstances may have the following negative economic effects in the branches of basic agricultural activity:

--most farms do not have sufficient resources of their own to renew production in growing crops and raising livestock, and since the resources are declining, the level of agricultural production yields will be lower in a significant number of the farms.

--the unfavorable profitability of basic activity's branches urges the farms to invest their resources in those industrial and other auxiliary activities in which there is a better chance to make a profit;

--due to the lack of resources the agricultural experts cannot find feasible ways for increasing agricultural production in a number of farming operations, and lose their incentive for agricultural production tasks and jobs.

--the above outlined circumstances endanger implementation of the planned yield increases by approximately 3 percent per year, even though cost increases, deductions and wage development should have a much higher growth rate.

In recent years, the role of auxiliary activity has increased on the farms, and a number of operations this covers camouflages the unfavorable situation of basic activities. This circumstance also involves the danger of the national economy's directive organs possibly not sensing sufficiently the need to change the regulatory system. The outstanding crop production results of 1980 which increased the sales incomes, contributes to the apparent capacity of the farms. At the same time a significant portion of autumn harvesting costs are charged against 1981, and the late harvest as well as the omission of deep plowing will also have an unfavorable effect on the 1981 crop yields.

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OPERATION OF ZONE CONCEPT IN AGRICULTURE DESCRIBED

Bucharest REVISTA ECONOMICA in Romanian No 16 17 Apr 81 pp 9-10, 12

[Article by S. Bartia: "The Zoning of Production in the Counties - A Factor in Intensifying Agriculture"]

[Text] The entire concept and strategy in dealing with the problems regarding the establishment of zonal structures in agriculture are based upon the party's agrarian policy. The zoning of agricultural production in the counties is to result in the implementation at the national level of the tasks outlined for agriculture by the party, staying within the general concept of management-decisionmaking. Beginning with major objectives established for agriculture overall, which are distributed according to the natural, economic and social conditions available to each county, we reach the county zonal structural systems where each part represents a part of the overall structure.

Our party conceives the intensification of the agricultural production process not as a slow evolution in which the traditional methods and means are improved or adapted to certain new situations, but as a dynamic development within the parameters of a new quality that will ensure in the coming years that our agriculture is at the level of that in the developed countries. For that reason, the intensification process means both the greater use of new and varied means (tractors, machinery, fertilizers, land improvement projects, soils, breeds, hybrids that are biologically stronger and so forth) and certain technological systems that will correspond to the new production conditions, and the production at certain levels per hectare and per animal and at certain costs per unit of product that will correspond to the requirements of the national economy and will ensure competitiveness on the world markets.

The intensification process is being harmoniously combined with the processes of specializing and concentrating agricultural production. By applying certain modern systems of organization which establish certain minimum and maximum criteria for concentrating production, criteria that are differentiated according to the specific conditions in each zone, we are seeking to achieve the optimum size for concentrating production, the territorial specialization and those production structures that will ensure the increased efficiency in using the resources we have.

By resources, we understand this to mean both the natural conditions, expressed in the natural and economic fertility that each field unit has (expressed in specialized grades for the homogeneous ecological units by category of use and crops), as well as a large volume of technical, economic and financial means that will be available to agriculture in the future, putting to maximum use the functionality of different systems of resources under different natural conditions for different plants and animals in order to be able to obtain an increased level of efficiency.

The intensification process cannot be conceived without the most rational use of all production resources that exist, a use that should not involve primary utilization, but the recycling of existing resources (double crops, using animal waste in the fodder process, the use of vegetal residue by enriching it, super-fattening of young animals and so forth).

The resources that agriculture will have and the relationships of these to direct and recurrent conditioning are being studied overall within their natural interconditioning and their natural-technical-economic-social interconditioning. In the study of the zoning of agricultural production by county, the analysis of the natural conditions is being carried out, first of all, under the aspect of understanding their content in detail in a quantitative and qualitative sense, as well as through the prism of functionality in direct relation to the different economic and social resources. This same work also refers to the functionality of the different means and structures of resources under different conditions of functionality for different agricultural products. In this way, the work goes beyond the limits of a territorial distribution of agricultural production according to naturalist bases and takes on a profoundly economic and social content.

The flux in establishing the structures of the systems and subsystems of agriculture is of especially great importance in the general concept of dealing with these problems. Determining the zonal structure for the counties is done by distributing the forecast agricultural production for a certain area, from the national level to the county level and from this county level to county zones - and not by totaling up a certain amount of production that could be achieved in accordance with the natural conditions available in the county zones. The methodological concept is based upon the principle of parcelling out the production of the county agricultural system into zonal subsystems and confronting the resources of these subsystems in order to achieve the content of the county system. Such a systematic approach to the problem keeps in mind both the achievement of the established tasks for county agriculture for a certain period as well as the optimum use of the resources available to each county zone, achieving a close tie between requirements and possibilities, with the superior system having priority over the inferior system in the establishment of zonal structures.

The Zoning Concept and the County Zone

The zoning of agricultural production reflects the process of delimitization within the framework of county agriculture and certain agricultural production territories having the best possible homogenous natural-economic and social conditions and receiving a certain production structure, which give the territory a certain zonal profile. This process is achieved throught the assignment of agricultural production throughout the county, as well as the means of production that do not belong to that area. This is done so that by using the natural-economic and social conditions available to each unit new means of production will be assigned to the area in the form of investments that will improve and complete the fertile content of the existing resources, especially the natural ones.

Determining the areas (zones) characterized by an homogenous production profile, especially with regards to their basic branch of specialty in producing certain agricultural products, is expressed through a certain combination of the branches of agricultural production and a certain interdependence with the other branches of the economy.

Despite the fact that the zoning of agricultural production within each county has a profoundly analytical nature and is based upon especially good data which reflect the local production conditions and possibilities of each county and each county zone, we have sought for it to organically include the zonality of each county in the programmed system of agriculture for the future for the overall country, establishing the indicator levels that will express the optimum position regarding the contribution of county agriculture to the achievement of the major tasks of the entire branch.

Beginning from this premise, the zonality of agricultural production by county cannot be evaluated from a purely local level, but only within the general context of the development of the country's agriculture. Dealing with the problem from this position explains some aspects that would appear inconsistent at first glance.

The principal functions of agriculture as a basic branch of the national economy were outlined with special clarity in the Directives of the 12th Party Congress and the later party and state documents, especially in the speech by comrade Nicolae Ceausescu at the Second Congress of the Peasantry.

The principal function is obtaining such a level of agricultural production so as to ensure a normal physiological food supply for our country's entire population, which is continually growing. In this regard, on the basis of the results and recommendations of the Institute of Food Supply, the studies on the trends of human consumption of agricultural products in developed countries, as well as in other countries with climatic conditions similar to those of Romania, and also keeping in mind the forecasts for the structure of age groups and professions, a determination was made on the necessary total of calories, proteins, glucides,

vitamins, amino acids, mineral salts and so forth that must be provided. In the wake of an entire series of studies, probes, extrapolations and correlations, it was determined that for the year 1990 the optimum norm for physiological consumption for a daily average per person would be 3,000 to 3,100 calories (with approximately 33 to 35 percent of animal origin), with a protein content of approximately 100 to 110 grams (45 to 50 g stemming of animal origin). The achievement of these levels calls for agriculture's production of a broad variety of agro-food products in sufficient quantities to ensure a tasty, varied diet, to allow the continuation of the traditions of the Romanian kitchen and to be as complete as possible in nutrition and vitamins throughout the year.

If the zoning of each product expresses the territorial distribution process of this product and especially shows the nature of territorial concentration and specialization within each county zone, at any given moment there is an overlap of a number of products having different frequencies of intensity which express a certain structure of production, a certain system of development for each county zone. Making the determination of the zoning of a certain product is of an analytical nature, without taking into consideration the combinations that are created between this product and other products. The zonal structure also has a synthetic quality, with its elements expressing the ties that are formed between different products, the relationships of proportionality between them, the ties of interconditioning and the production relations toward which they tend to lean.

In this confrontation throughout the nation, in each zone zonal structures are being formed within which one or several products will be especially stressed. In this manner, each county zone actually has a multilateral production structure specific to its own conditions.

In the process of categorizing agricultural units, especially when production profiles will be established for each farm, the nature of specialization will become much clearer. In some cases, such as the industrial type complexes for raising animals, specialized farms may appear in the production of a single product. In vegetal production, ultraspecialization is more difficult to achieve, especially for field crops. In vegetable growing, grape growing and tree growing, the process can be accentuated even more. Nonetheless, if we keep in mind that each of these branches actually represents, in aggregate form, a sum of crops, species, soils and so forth, and the structure of production will be differentiated, having a multilateral, but conditioned nature. Many times, it is very difficult to define one or two products that will express the profile of a county zone, and it is necessary for us to express it through three, four and even five products. This actually represents a normal process if we think about the future intensification of our country's agrarian production, which will lead to a new system of agriculture and a concept of zoning the land to production where the process of placement, cooperation and integration will have an increased functionality.

Zonal Structures - Complex Profiles

Certainly, within the framework of each county a series of specific zonal structures were formed. The unification and balancing of zoning at the level of the entire country, for the purpose giving national direction to agricultural production, have sought to bring about several profiles - complex, but somehow more distinct - which express as a whole the process of zoning shown during the work to zone agricultural production by macrozones. Finding a balance between macrozones and zones within the framework of a county was based upon the overlapping of the zones of the principal products. This showed the zonal nature of each product not only for the respective county zone, but also for the economy of agriculture for the entire country. In this manner, a vertical as well as horizontal tie was made between products and county zones.

Within the framework of this process of overlapping, we identified those products which have in their zone a greater percentage than in the rest of the country and present a zonal nature. We especially had in mind the specialized national zones and the national ones, while in some cases also those zones of a county type, especially where there were a series of profiles for county zones of the same profile. On the basis of the multiple overlaps of maps and detailed studies on technical and economic indicators that characterize the zoning of the different products, we sought to identify the manner in which the products were grouped, creating homogeneous zones throughout the country. We stress that in a careful analysis each microzone has a certain distinct content all to itself which actually reflects the county zonal profile.

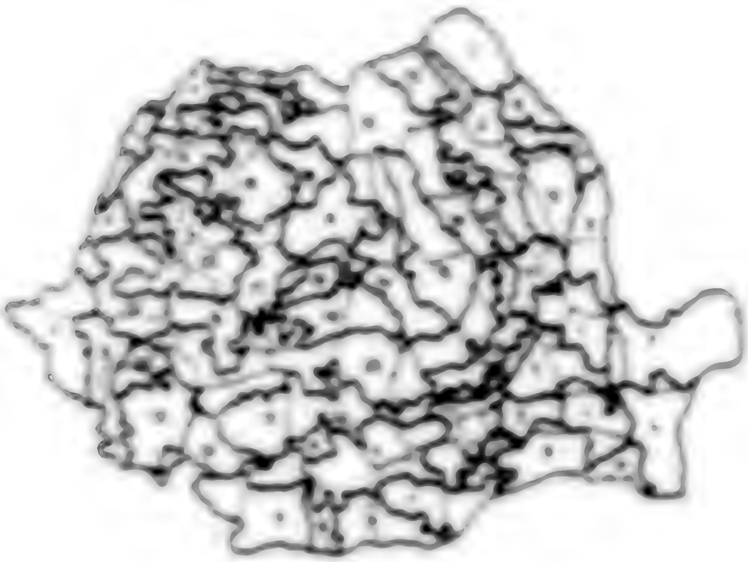
The products that were studied in order to characterize the production profile of the macrozones in all sectors and which expressed the comparable profile encountered in many county zones were the following: grapes, fruit, wheat, corn, soybeans and sunflowers, flax for linseed oil, flax for hemp, hemp, sugar beets, potatoes, vegetables, cow's and sheeps' milk, meat and eggs.

The grouping of the macrozones and their names are completely orientational and serve to present a general picture of the phenomenon. Grouping them according to the main products, the macrozones that have similar traits resulted in the following types of macrozones which actually express the zonality of agricultural production within the county zones (see the map) [map shown on the next page].

The Territorial Orientation of Production

The groupings achieved by macrozones reflect orientationally the trends of distributing the principal agricultural products throughout the country. When the macrozones are laid out by sectors of production and especially when the zoning is studied in a detailed manner in each county, a series of county zones and much more distinct subzones are revealed, with the boundary of the macrozones merely having an orientational, directional nature from a spatial point of view.

Location of the Macrozones in the Country



1) Meat, milk, corn, sugar beets and sunflowers; 2) meat, milk, corn and sugar beets; 3) milk, meat, corn and sunflowers; 4)meat, milk, corn and vegetables; 5) meat, corn and sunflowers; 6) meat, corn and sugar beets; 7) meat and corn; 8) meat corn and vineyards; 9) meat, corn and soybeans; 10) milk and meat; 11) vineyards and meat; 12) vineyards, milk and meat; 13) fruit trees, meat and wheat; 14) milk, meat and wheat; 15) milk, potatoes, wheat and flax for hemp; 16) milk and wheat; 17) wheat and milk; 18) wheat, milk and fruit trees; 19) meat, milk, hemp and potatoes; 20) meat, milk and hemp.

A summary analysis of the content of the new orientations reveals some qualitative changes regarding the territorial trends of placing agricultural production. The fact appears clear that in the future the agricultural zones will have a complex nature. In each zone, on the basis of concentration and the optimum specialization of the production carried out in each production unit, a number of branches of production are being combined. Animal raising has a preponderent role in the majority of the zones, as expressed by the priority that animal products have in the naming of the zones. Even in those zones whose qualitative content is not clearly reflected by animal products, these products will have a very great importance. Similarly, the fact clearly comes out that the development of irrigation will produce essential changes in the zoning of agricultural production. On irrigated lands, an especially intensive agriculture will be developed. The introduction of lucerne into crop rotation on irrigated lands as a technical and economic condition will bring about a considerable development of the numbers of animals in these zones, which will have a future influence in the distribution of animals throughout the country.

The rate of development of the numbers of animals in hilly and submountain zones is determined to a great degree by the full use of the green fodder products from pastures and natural hayfields, while in irrigated areas, by the volume of cultivated vegetal production.

As a result of the irrigation projects carried out in large systems, there will also be territorial changes within the framework of vegetal production. Thus, the sugar beet crop, that of the sunflower and even that of the potato, up to a certain limit, tend to develop in irrigated zones, acquiring in this way an especially intensive character. Wheat will be especially developed in the hilly zones where, compared to other crops, it is more economical. This movement of wheat from the irrigated zones to a more uneven terrain will be done gradually and only after conditions are ensured to obtain a maximum production per hectare in these zones. At the same time, in zoning agricultural production at the level of the county zone, we had in mind maintaining the production of wheat in the irrigated areas at a higher level than the minimum admissable level, both in order to provide the production needed for consumption, as well as in order to facilitate the achievement of certain rational types of crop rotation and the staging of agricultural work throughout the year.

Corn is being concentrated to a greater degree in the irrigated zones, leaving room so that in the sub-Carpathian hilly zones we can further develop fodder crops, on the basis of which animal production will substantia..y increase.

The production of pork is directly tied to the status of the production of its principal food - corn. At the same time, the system of industrial animal raising in large complexes permits a higher level of concentration. If it was determined to have some zones where pig raising was to be developed at higher levels, this does not mean that all the units in the zone will raise pigs. In order to ensure a minimum local consumption, in nearly all the counties there will be complexes for the production of pork.

Certainly, these are but some views that are completely general regarding the trends in territorial development of future agricultural production. The agricultural system will be substantially changed by the growth and diversification of the means of production used, the systems of crops and so forth, providing our country's agriculture in all zones an intensive, modern content capable of meeting, through its production, the levels established by the party for the current and future stages.

8724
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ROMANIA

WAYS OF INCREASING FISH PRODUCTION STUDIED

Bucharest REVISTA ECONOMICA in Romanian No 16 17 Aug 81 pp 11-12

[Article by Dr P. Avramescu and Dr C. Mocanu: "The Development of Pisciculture"]

[Text] One of the branches of agriculture forecast to use certain natural resources and to contribute to meeting the people's food consumption requirements is intensive pisciculture.

In order to increase fish production under conditions of restricting certain large surface areas, becauseing of diking and draining, which have piscicultural resources, it was necessary to accelerate the rate of planning for certain intensive hatcheries which will be able to produce annually over 3,000 kg per hectare under conditions of rational feeding.

On the basis of the results obtained to date and the large investments allocated to this branch to speed up work, the modernization of the material base and so forth, the Directives of the 12th Party Congress call for a more sustained development of pisciculture by preparing ponds and lakes, primarily by establishing a feeding system, developing, at the same time, hatcheries that will be needed to populate the waters. Fish production from the country's interior waterways is to reach 280,000 to 300,000 tons in 1985.

Some of the areas that could be developed for this branch are Giurgiu, Calarasi and Ialomita counties, as well as the Ilfov Agricultural Sector. Of the total area organized for pisciculture in these counties, nearly 8 percent is slated for fish hatcheries, approximately 30 percent represents managed basins, over 34 percent is dammed basins, approximately 18.6 percent are natural ponds and 9.4 percent are unmanaged units.

Through better organization of the activities in the existing fish farms in the central zone of the Romanian Plain, which has a total surface area of over 8,000 hectares, the average production per hectare in the managed units has increased from 760 kg in 1975 to 1,200 kg in 1980, which led to obtaining certain significant amounts of income. Of the conditions that favored these results, there is especially the provision of fish for stocking waters - carp and local species, whose volume reached 850 tons (compared to 440 tons in 1975) at a time when the most important hatchery in the region - Ramadan - was not fully in operation.

Despite all this, the amount of production obtained is far from reaching the level of possibilities.

The lack of certain types of feed has made it necessary to change the structure of the species, increasing the percentage of the phytoplactonophages from 15 percent in 1975 to 30 percent in 1980. Compared to the necessary amount of planned feed, only 50 to 55 percent was procured, which had negative repercussions with regards to fulfilling the fish production plan (84.1 percent), the quality of the fish, the incomes made and the achievement of the overall economic indicators.

At the same time, 3 years in a row natural disasters (floods) caused significant losses, while at the same time causing damage to certain earth works, especially to the reproduction and refitting category. Another factor that led to the non-fulfillment of the plan was the status of the piscicultural basins. Some of them are not being managed according to the requirements of a highly efficient pisciculture, with some of them being invaded by thick vegetation which impedes obtaining an appropriate production, producing in some cases only 100 kg of fish per hectare. In the piscicultural management program, only a small portion was achieved (368 hectares of ponds and basins). Similarly, it must be mentioned that delays in drawing up and finalizing the hydrographic basin management program, prepared by the National Council of Water Management, did not allow the piscicultural enterprises in the region to apply the redesign projects for the Gagu-Surlari, Belciugatele, Ciocanesti, Balotesti, Corbeanca and Ciulati basins and others.

The small production from the dammed basins at Mostistea, Tamadau and Cotorca (approximately 100 tons of fish annually) is explained by the use of water for irrigation, which impeded practicing an industrial type pisciculture.

Also working below the levels of possibilities in production are some old basins that have a high degree of silting and inappropriate dams and earth work, which, in many situations, do not maintain the level of the water at the necessary levels for fish production. In order to use them at their maximum capacities, urgent work is required to remake and maintain these facilities, as well as those basins to be used as fish hatcheries. Not even the piscicultural areas still in use at the Nanadan hatchery are being fully used, since the necessary levels of water are not being provided in order to raise the young fish under good conditions.

In addition to the reasons mentioned, we can add the shortcomings of the workers, especially the technicians, tasked with operating the piscicultural basins who have not always mastered and applied appropriately the technologies for raising fish, artificially reproducing phytoplactonophagic fish and so forth.

Keeping in mind the qualitative leap that must be carried out in the new five year plan, decisive measures are required to increase the production of fish per hectare of clear water and to increase total production at the lowest cost.

Among the means that can lead to an increase in fish production in the central zone of the Romanian Plain, we can list:

- bringing into the piscicultural process certain new land areas that are inappropriate for agriculture and more rigorously adhering to the measures outlined for increasing production per unit of surface area (first of all, improving exploitation technologies);

- allocating investment funds necessary for putting new land areas into use and upgrading certain existing basins;

- increasing the efficiency of investment projects already completed by fully using production facilities, which requires carrying out certain repair and maintenance operations at current basins for de-silting, eliminating reeds and weeds, and protecting waters from pollutants;

- organizing certain specialized work groups equipped with the means necessary to carry out repair and maintenance work;

- achieving the planned surface areas for hatcheries and rigorously adhering to the technologies for producing and raising young fish, for the purpose of obtaining a full stock of material to populate new production facilities, must be correlated with the provision of certain lots of reproducers having superior production qualities that are either acquired from third parties or are obtained from our own selection process;

- categorizing the current hatchery at Ramadan to produce young fish from phytoplactonophage fish, which will allow the extension of poly-culture and, on this basis, increase the production of fish in the entire zone. The experience of some piscicultural units shows that by practicing poly-culture with the administration of a minimum amount of extra feed 4,000 to 5,000 kg of fish can be obtained per hectare of clear water;

- modernizing the Bila hatchery for the purpose of producing increase numbers of young carp, as well as stock for the other units in the zone.

According to the specific conditions of each piscicultural basin, we must apply stocking formula and differentiated feeding and planning technologies for the purpose of fully using the production potential at a minimum level of costs, while giving priority to those hatcheries with regards to both the quantity and the quality of the production.

Special stress must be placed on the piscicultural use of waters dammed for irrigation which, by the end of 1985, will account for over 8,500 hectares in this zone. This means that under normal conditions a production of approximately 2,500 tons of fish could be provided.

Along the lines of increasing economic efficiency, significant reserves still exist in the area of better using the fish and related products of the piscicultural units, there is need to continue to improve the activities of the fish

processing and canning enterprise at Filaret, which has an annual capacity of 2,000 tons and 400 tons of semi-preserved fish. To this, we can add the unit at Bulina which has an annual capacity of 300 tons of semi-perserved fish and which uses phytophage fish as its raw materials, a species that can be more efficiently used by processing. At the same time, by more fully using live carp additional income could be obtained of approximately three million lei, at the 1985 forecast level of production.

Recently organized scientific research in the field of pisciculture must make a larger contribution to solving certain problems, such as: ensuring the selection of carp, stocking all dammed reservoirs, preventing fish diseases, establishing certain feed levels appropriate to a rational diet, establishing certain appropriate doses of chemical and natural additives and fertilizers, mechanizing certain high volume work operations, making better use of production and so forth. In this regard, the Program-Directive for Scientific Research, Technological Development and the Introduction of Technical Progress forecasts that there will be an intensification of research for the improvement and selection of local species, the acclimatization of new species, the use of warm industrial waters in the intensive production of young fish, the reduction of the specific consumption of feed, the use of natural feed in dammed ponds and lakes and the elaboration of an intensive and superintensive system of aquaculture.

Providing qualified workers to the production and processing units is, similarly, one of the essential conditions in putting the piscicultural potential of the area to better use.

Special attention must be given to reducing material costs as a condition for increasing net production.

By consistently applying the principles of the economic-financial mechanism and carefully managing the material base, pisciculture in the central zone of the Romanian Plain can make a more substantial contribution to providing the people with an appreciated product also having superior nutritional properties.

6724
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KRAIGHER INTERVIEWED ON ECONOMIC SYSTEM

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 11 May 81 pp 23-32

[Interview with Sergej Kraigher, vice chairman of the SFRY State Presidency, by EKONOMSKA POLITIKA, date and place not specified: "Issues on Which There Can Be No Compromise"]

[Text] The economic system, that is, the Law on Associated Labor and the other laws embodying the system which regulate the particular sectors of economic life, should be applied rather than amended without thorough consideration. Paraphrased and with all the risk of any generalization and reduction of a lengthy exposition to a single idea, this is the main message of Sergej Kraigher, vice chairman of the SFRY State Presidency, in an interview for the readers of EKONOMSKA POLITIKA. The main argument in support of this point of view, once again paraphrased and condensed, is that positive legislation guarantees harmony between rights and responsibilities for all participants in economic activity and economic policy. From associated workers, that is, up through work organizations, to the provinces, the republics and the Federation.

EKONOMSKA POLITIKA: We propose that your recent statement that self-management is incompatible with autarky whether it is a question of raising artificial barriers on the borders of sociopolitical communities or of a work organization of whatever type be the occasion for the interview and, if we may so put it, the main topic of the interview. The question, then, is how is it that a society that is by definition open, open, moreover, both in the particular and the general domains, often falls into temptation and enters into discussion about exclusion from world historical currents, which certainly diminishes opportunities for ending autarky once and for all?

Sergej Kraigher: In an interview on TV Ljubljana I recently pointed up a fact which is not disputed, but is often forgotten, which is that self-management is incompatible with autarky and by definition requires an open society, a society that is open in both the particular and the general domains. In connection with your question allow me first to make a digression into general theory which may have both a methodological and philosophical ring. Your question as put needs clarification, since it is not focused on self-management in general, and on one of the

essential elements of its nature by very definition, but pertains to the specific socialist self-managed society in Yugoslavia and "its temptations and discussions about exclusion from world historical currents and thereby to reduction of opportunities for ending autarky once and for all." That is, first, that kind of leap from the general to the concrete, from a conclusion per definitionem to the particular, to a specific occurrence of the general, is theoretically and philosophically risky and must cause confusion because it leaps over, that is, fails to take into account, the specific features of our concrete self-managed society, the specific features of both its historical origin and development and also of its present condition, in which together with elements of the new we also find elements of what has been superseded, that is, of the old which it embodies. And second, something that is now more definite and could have useful conclusions, at least for our interview: this kind of approach offers no great promise either with respect to defining the real factors which operate against our self-managed society becoming open nor with respect to defining the real sources and those real contradictions in our social and especially economic development which encourage that kind of behavior and tendencies and for which a way out and solutions must be found. At the same time it does not offer great promise either with respect to detecting and defining those elements which are already operative or are only coming into being at the foundations of our socioeconomic relations, which by their very logic require that our society become open and autarky and autarkic tendencies be overcome, nor with respect to evaluating how various elements both of the system of socioeconomic relations with foreign countries and also of economic policy and measures to implement it are operating in that direction.

Taken up from these angles, your question, though it has a general ring, does implicitly and in essence list the entire problem--which contains one of the most formidable tasks in the strategy of our social development--out of that development. That is, it separates the problems of openness, that is, of autarky and autarkic tendencies, from the set of issues and contradictions which must be resolved by the economic policy of development, as well as from the set of problems related to the operation of the socioeconomic relations of self-management at the level of development they have attained in the functional relationship between the development of those relations and the development of the productive forces.

And now to take up the question. Yes, as a socialist self-managed society we are by definition an open society. Autarky and autarkic tendencies are an expression and a means of defense or of gaining advantage in a competitive struggle in the systems of capitalistic and state ownership and of government interventionism, and even of state planning on those foundations, that is, on the foundations of the capital relationship and profit, and of basically imposing the interests of the strong by economic means as well as by political means and other means of governmental coercion. But with us in Yugoslavia, and not only with us, they are also an expression of protection of a lower productivity of labor, of backward engineering and technology, and of a lag in methods of studying and conquering markets, of protection, then, of lower competitiveness in certain of the industries and groupings in our economy, a protection which can be justified only insofar as it has been realistically examined and conceived in the social plans governing development of the productive forces in our system of social planning. In practice, however, especially in recent years, this has turned into protection of even the most backward

OOUR's [organizations of associated labor] with high protective barriers, high production costs and imposition of their "cost prices" because of their lag in developing the relevant factors of labor productivity and in adapting to changes on the market. In other words, we can terminate or overcome more rapidly the temptations and discussions, as you have put it, and I would also add a social practice which is making it more difficult to overcome autarkic tendencies, only by developing income-sharing relations, by overcoming profit and its logic, and by strengthening self-management on that basis under the conditions that exist and are objectively given. This, incidentally, is no longer an experience that is ours alone, but a conclusion that is inescapable for an ever greater number of countries through their own experience. In the context, of course, of widely differing forms and interests and different socioeconomic conditions and class foundations.

In our socialist country, with its social ownership and the level of development of the relations of socialist self-management that has been attained, this also implies strengthening the self-management rights, obligations and responsibilities of workers in associated labor on the basis of income and income-sharing relations within their basic organizations and in society as a whole when it is a question of making decisions on income and on the conditions and results of their labor--in all domains of social labor and especially in foreign economic relations. In our socialist federal community it also implies strengthening full responsibility of the republic as states and self-managed communities--on the basis of those socioeconomic relations of self-management--for their own development and for the development and strengthening of the Federation as a whole.

If we return again to your question: the "temptations and discussions"--and I would also add measures--which lead to exclusion from world historical currents and the resistance to ending autarky once and for all and to strengthening that tendency, are an integral part and expression of the social contradictions of our development and especially of the social contradictions of social ownership which Kardelj dealt with in 1972 in his well-known book on the basis of contradictory tendencies in the practice and development of our self-managed society which had manifested themselves even before that date. Those contradictions manifest themselves and are resolved within the contradictions inherent in the operation of the law of value and commodity production in our society and in relations with foreign countries.

In our society at the level of development of self-management that has been attained, the practice of resolving those contradictions apart from the workers and the working people in the self-managed base, apart from workers in OOUR's [basic organizations of associated labor] and their linkage with one another on the basis of shared income in social reproduction is not only possible, but in large part is still predominant, since it is felt that the contradictions can be overcome more effectively and optimally otherwise than through self-management. This gives independence to professional management and work communities of OUR's, on their own or in concert with professional management in the banks and bound up with the government administration, or, at times, in conflict with the government administration over certain issues for the same or similar reasons. Further, these contradictions are also resolved through the action--independent and detached from the self-managed base--of government agencies, that is, of the administration of sociopolitical

communities, from the opstina to the republic and the Federation, in tandem with professional management structures in OUR's and the banks (including even the national banks), but sometimes also in conflict with them on certain issues.

However, every resolution of contradiction that is detached from the workers in the self-managed base necessarily takes on the features and logic of the capital relationship and profit. And in the mutual relations in our society this means imposing one's own interests and ignoring the interests of others and the consequences for society as a whole and its interests and even the interests of those work collectives themselves, that is, of OUR's and self-managed communities, over the long run.

Autarky and autarkic policy and tendencies are above all the expression of the freewheeling activity, views and proposals of those factors both within OUR's and also in opstinas, very often with consent of opstina factors and sociopolitical organizations, and often even with the knowledge and consent of republic factors and bodies and agencies. That is why they can even make inroads with the force of an uncontrolled element and can even have an impact on social plans and economic policy measures of the republics and provinces and even find their place in the social plan of the Federation, that is, in the agreements on the bases of the plan and economic policy measures. They therefore represent one of the essential reasons for the difficulties in concluding self-management accords and social compacts.

The measures and methods and means that the federal bodies and agencies are now using, acting on the proposals of the administrative agencies and professional services which have jurisdiction and are responsible in this area, have not proven to be effective enough to guarantee that the established joint interests and policy are respected as they need to be in social plans and agreements on the bases of those plans. We can even go further and say that neither in the Federation nor in the republics and provinces have the responsible and organized subjective sociopolitical forces been decisive enough--in the domain of production and investments, in social services and government expenditure, within the limits of the resources available on the basis of a realistic estimate--to establish basic and altogether definite joint priorities in carrying out the agreements on the bases of the social plan embodying the established tasks and goals, and accordingly to define quite concretely mutual obligations in achieving those priorities. Without that, however, there is no possibility of defining sufficiently firm limits and obligations for the plans of self-managed organizations and communities and of their mutual reconciliation when their priorities are established within the limits of the balance of available resources which come under their management. This means that there is also no possibility of halting uncontrolled developments and of monitoring and mastering economic developments and spending.

To take the question of OUR's which have been operating at a loss or on the margin between profit and loss for years, those same factors have not shown the decisiveness or found the strength to accomplish an authentic rescue on a sound economic foundation or to dissolve them, and that is because of demagogic and opportunistic attitudes toward their collectives, attitudes which neglect obligations in that respect which have been set forth quite clearly in the constitution and legislation, along with the obligation to guarantee the social security of the workers and to adapt the growth of all forms of expenditure to those specific obligations.

We thus find ourselves in a situation where an autarkic orientation has never been adopted in our country as a policy and direction in our development, while yet in practice we have encountered that orientation and its consequences and have constantly been in political conflict with it. In late 1979 we again condemned it in political terms, and in 1980 and this year we have again been confirming this in the resolutions of all the most responsible political forums. But because of the lack of decisiveness and consistency we have not overcome these tendencies in our social practice. This is reflected inter alia in the difficulties encountered in concluding agreements at the base concerning the bases of social plans and thereby also in concluding agreements on the bases of the social plans of republics, provinces and the Federation. This results in insufficient definiteness in agreements on the bases of the federal social plan precisely with respect to priorities and the mutual obligations and responsibilities for achieving them.

In other words, achieving the openness of our self-managed society and of all its self-managed organizations and communities and also of sociopolitical communities, and overcoming autarkic tendencies constitute an integral part of the battle to affirm, strengthen and develop our society as a socialist self-managed democratic society. Whatever progress we make in that, the closer we come and the greater are our chances to end autarky once and for all at an early date, that is, to overcome and frustrate such tendencies in social practice. At the same time this requires that we identify, overcome and eliminate the relations objectively given in our society, in our multinational federal community, which generate and reproduce such tendencies and revivals from previous systems in people's practice and consciousness and especially the practice and consciousness of those who make social and economic decisions. This certainly necessitates a consistent reorientation in the policy of the entire economy and of all factors in society in the direction of developing the economy's ability to become part of the world, to perform tasks in the domain of technical progress and the technical revolution, and it also requires introduction of the new international economic order. And that means establishing mutual ties toward that aim and appropriate concentration through self-management of the capital required to build a competitive industry; it requires an organized effort on foreign markets by resolving competitive relations here within the country, by pooling labor and capital, and by concluding accords within the appropriate bodies, in economic chambers and indeed even in the Yugoslav Bank for International Economic Cooperation, as the relevant legislation envisages, requires and calls for.

Dinar and Foreign Exchange Income

EP [EKONOMSKA POLITIKA]: The question of whether we are to be isolated or not is one that depends on our decisiveness and consistency in seeing and judging ourselves with the eyes of the world of which we desire to be an integral and equal part. Put in economic terms, it is the question of how committed we really are to expose the dinar--as the sole national currency, that is, the sole and objective standard by which all domestic values are measured--to the evaluation of others. In that context of creating and defending our own standard of value, one of the main dilemmas is raised in both theory and practice by the existence of two parts of income: the dinar part and the foreign exchange part, as it is usually put.

Kraigher: First of all, so that there is no misunderstanding: there is no respect whatsoever in which today we can speak about Yugoslavia's isolation. This is not allowed either by Yugoslavia's economy, nor by its relatively small and still underdeveloped market, and it is also prevented by Yugoslavia's nonaligned policy, by its role in the world, and by its elaborate economic and political relations with almost all the countries of the world. Our experience confirms that autarkic tendencies in society lead to one-sided relationships and dependency upon foreign technologies, which today means dependence above all on transnational companies, and on the other hand it leads to the country's ever greater technological and indeed financial dependence and a weakening of creative abilities and initiative. Nor can we assert that we are prepared and resolved to look at ourselves through the eyes of others. Nevertheless, we must first of all learn to look at ourselves realistically and judge ourselves with our own eyes, since there are all manner of eyes of "others," in which the view taken by others can help us, but no more than that--though that in itself is not to be underestimated.

Let us leave to one side the fact that all values, and specifically all domestic values, cannot be reduced to the dinar as the sole and objective yardstick. Convertibility of the dinar would be a means of exposing ourselves in the world of goods and relevant services to the evaluation of others, that is--if I understand it rightly--to comparison with their prices, and synthetically and summarily, the dinar's rate of exchange would be compared with other currencies and their movements, if we translate this into economic terms. But even in that case the full relativeness and limited value of that kind of evaluation becomes obvious, particularly in the present period, when we know that the prices of many goods and services are set as a rule by transnational companies outside the market and when we know that behind the rates of exchange and values of currencies of particular countries there stand not merely their economic strength and labor productivity, but also the force of monopoly--where there also exists systematically organized and mobilized influence representing the strength of the entire governmental organization, including the army and the power of pressure and blackmail in international politics and international economic relations. This is also the main reason why the actions of the nonaligned and the developing countries are aimed at affirming their national currencies within the country, in direct mutual relations and in the creation of multilateral institutions which in the sense of relying on one's own resources would contribute to affirming the national currencies of those states in international relations. There are thus difficult, important and very delicate problems confronting the active policy of a realistic rate of exchange of the dinar, to which we are committed.

It is beyond dispute that it is of primary importance in this to compare production costs as well as operating costs and labor productivity in the production of particular goods and services which cannot be established or evaluated in international trade, that is, on the world market. At the same time consideration must be given to the fact that relations in the development of individual production groupings and industries, as a consequence of redistribution or siphoning of income and accumulation through the conventional capital market, are more and more being replaced by deliberate distribution of available financial resources and economic resources in order to accomplish particular economic and political goals. One of the conclusions to be drawn from this concerning our social practice--and it at the

same time represents a generally accepted realization in all advanced countries--is that one of the decisive foundations for real progress in development of the productive forces and labor productivity is for scientific research facilities and their advances to be involved as directly as possible in the work and development of organizations of associated labor and communities of which they are a part. I am not referring here solely to the development of engineering and technology and the technological sciences, but also to all types of social sciences which are studying social changes in the world, in the social structure and way of life, changes which determine both the needs of society and the development of those needs, the way in which they occur and operate on markets, changes in their composition and variations, as well as the social causes of those changes or tendencies.

We certainly agree on the need to create and defend our own standard of value. But I am not clear about the question or the assertion that "in this context of creating and defending our own standard of value, one of the main dilemmas in both theory and practice is caused by the existence of two parts of income: dinar and foreign exchange, as it is usually put." However it may be, the dinar is our standard and as such is subject to the evaluation of others. Even though that evaluation occurs for us and for our economy and for the economic calculations of others in very distorted form.

To go further, I do not know who is defending and to what purpose is justifying in theory such dilemmas, much less the need and possibility of the existence of two incomes--foreign exchange income and dinar income. In the present system this is explicitly prohibited in a number of articles of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries. That law, for example, states that foreign exchange is a specific monetary expression of social assets, that is, of gross income and income of basic organizations of associated labor which participated in realizing them. It is specific precisely because it cannot be used to make payments within the country, and, incidentally, it does not even exist in the country, so that it cannot be used to express or compute gross income, much less can income be distributed in foreign exchange. This can be done and is done solely in our own national currency, so that gross income and income are always dinar income and only dinar income.

But there are a number of factors in practical business relations and situations on the market, as well as in the measures of current economic policy, which result in the occurrence of commodity deliveries being made conditional upon the transfer of rights to foreign exchange or of foreign exchange in foreign exchange accounts. The decisive thing here is taking advantage of a monopoly position according to the momentary situation concerning the supply of particular commodities or semifinished goods or raw materials--the question of whether the monopoly position of the possessor of the foreign exchange or the commodity will prevail in the specific case--both with respect to the level of the rate of exchange agreed on and also with respect to the other conditions of the transfer of the commodity or the foreign exchange. The question might be put of why these things occur. Certainly it is because of the shortage of foreign exchange, but also because we ourselves detract from the value of the dinar in our current economic policy by excessive issue of currency and other measures.

Many discussions are now taking place in connection with amendments or supplements to laws which have been enforced, incompletely be it said, for 3 years now. I do not take the position that certain improvements of the law are not needed and possible. However, I think that it is a particular value of the legislative arrangements now in effect and also one of their principal goals is first and above all to put the workers in associated labor in a position--in their basic organizations, in their communities for economic relations with foreign countries and as managers of the authorized banks--where they can bear full responsibility and feel the full economic motivation to earn foreign exchange through their mutual business collaboration and income-sharing ties and interdependence, and thanks to their participation in that process earn foreign exchange by conforming to and by implementing the policy contained in social plans and the plans governing the inflow and outflow of foreign exchange as integral parts of social plans. In that way the planning of the inflow and outflow of foreign exchange and the pooling of foreign exchange by organizations which in production, in creation of value and the earning of income, are interconnected and interdependent--as the foreign exchange law indeed requires--will be one of the significant objective standards and criteria applied to the development of production which involves imported materials, to its volume and to its structure. This is in fact the basis both for evaluating the economic justifiability of short-term indebtedness abroad for that purpose and also with respect to the regional aspect of indebtedness and the repayment of credit.

It is natural that the exercise of those rights and fulfillment of those obligations by the workers depends, both in other sectors of self-management relations, as well as in this one, on the actual self-management position of the worker in making decisions and in the disposition of income. Thus foreign exchange assumes its social character through the share of everyone according to his contribution in the final exporter's inflow of foreign exchange--and through the monitoring of optimum management in the disposition of foreign exchange along the entire chain and at every point exercised by everyone and by all together. Under the law, then, the mechanism of distribution and its inclusion in reproduction are necessarily dependent upon the creation of foreign exchange. This indeed gives it impetus both as the basis of activity of the communities of interest and also with respect to organizing the system of the foreign exchange market, the role of the National Bank and assurance of liquidity, and indeed all the way to the system and criteria for contracting foreign indebtedness and repaying obligations ensuing therefrom.

And second, this system puts the republics and provinces in a position of bearing full responsibility and of being fully motivated to act--through their economic policy, social plans and the measures which they enact in reconciling views in the SFRY Assembly and also those which they enact in accordance with the constitution in the republic or province, within the limits of their other powers--to stimulate the orientation of the entire economy and its development in the direction of the broadest and most optimum inclusion in the international division of labor and toward fulfillment of the agreement on the policy governing development of foreign economic relations from the standpoint of both the pattern and policy by regions and economic groupings. That was the aim, and it could have been achieved. In 1980 a certain success was in fact achieved by the firm setting of tasks and obligations in the federal balance of payments and exchange balance and in the payments-balance and exchange-balance positions of the republics and provinces. But

the republics and autonomous provinces, as self-governed communities, will be able to perform that role in the mutual collaboration of OUR's as well only if communities for foreign economic relations operate authentically as communities of associated labor, i.e., stimulate collaboration of OUR's regardless of republic and provincial boundaries. Not, then, as an appendage and extension of federal or republic and provincial administrative agencies, which to a large extent is the present practice.

I think that we must also continue to seek solutions in the direction of full economic motivation of workers within OOUR's, in all forms of their self-management relationships, as well as of the republics and autonomous provinces, each separately as well as in their mutual collaboration. Both, that is, through the operation of communities for foreign economic relations and the authorized banks and interbank meetings, as well as through the activity of the bodies and agencies of the republics and autonomous provinces with respect to their economic policy and responsibility for the measures in the economic system that lie within their competence. We must likewise define more definitely the responsibility and tasks of bodies, agencies and organizations at the federal level: the Community for Foreign Economic Relations, the Price Community, associations and sections of the Economic Chamber, as well as the National Bank, and in particular the responsibility of the Federal Executive Council and administrative agencies.

EP: Of course, the realistic value of the dinar, as one of the essential prerequisites for its convertible status, is only the beginning or a summary of the agreement on all domestic circumstances which are the cause of our economy's objective position in the world. On this occasion we would limit ourselves to several points: the existence of economic motivation for steady improvement of all the elements of productivity and--which is only the other side of the same coin, the phenomena of inflation and losses. In the former case it is a question of the existence of motivation to economize on total labor, both past and present, that is, of the system of expanded reproduction. We emphasize this question not only because of its extreme importance, but also because it seems to us that the bill which has been prepared in this sector, should it pass without serious amendments, will not essentially contribute to any change in the long-established situation.

Sraigher: The question of economic motivation for steady improvement of all the factors of labor productivity and for the augmentation of income can be put and broken down into parts only if the basic point of departure is the socioeconomic position of the worker as the bearer of that economic motivation, as it has been set forth in the constitution.

Commodity production itself and the laws of the market, selection affecting the weak and the above-average being stimulated, contains a portion of that motivation, which we can also call pressure. Failure to respect and limit the operation of those laws inevitably takes its toll. This is in fact reflected in the problems we confront today, problems that have already been talked about a great deal. Assuming that those laws operate more strongly, the worker will inevitably have a greater interest in the optimum conduct of economic activity and will be more involved, on his own and through his delegates in organizations of associated labor and workers' councils, and he will become more resolute in calling upon the

specialized staff services for proposals that will result in adoption of truly sound decisions in the workers' council.

This would also give new impetus to the further self-management transformation of present OOUR's, many of which are continuing to operate like the former enterprises, they do not have work units organized by the various sectors of production or parts of the work process, though some of these parts fulfill all the conditions for the associated workers to set themselves up as an independent OOUR.

The other side of this problem, one that is inseparably bound up with the first one, is the worker's personal incentive in the OOUR and in associated labor for optimum economic employment of the assets of social reproduction as a whole--and then specifically for economically sound decisions on the surplus value of labor and on accumulation. This is indubitably one of the basic questions in the further development of socialist self-management, one that has the most profound class content. The worker, as a maker of decisions on the conditions and results of his own labor, must by virtue of his material position have a full-fledged interest in and feel the consequences of both good and also bad economic employment of the assets of social reproduction, which constitute his own past labor and also the past labor of society. It is also indispensable, then, that personal income depend materially on the income of the OOUR on the basis of economic employment of past labor, which means on the basis of the results of economic activity indicated in the form of new income. This is actually one of the main preconditions for the worker, through his labor with assets which are socially owned, as a self-manager in the OOUR and in society, to really have a personal economic incentive for the most optimum use of the newly created value and resources for accumulation, and for that kind of economic incentive on his part to begin to operate with all its force and self-management logic in this decisive domain of social reproduction. At the same time the worker thereby becomes a strong and important form of direct surveillance over the efficiency and optimality of use of the assets of social reproduction and of social income and accumulation in particular.

Only in that direction, through the worker's real economic incentive in the OOUR--through his self-management links with the workers of other OOUR's on the basis of common interest and with a clear statement of mutual rights, obligations and responsibilities, including the assumption of the joint risk--do real possibilities exist for really resolving those issues which at the given level of development are essential to raising the social productivity of labor and augmenting income through the creation of new values in terms of volume and structure and through distribution of the income of society. Here there is no alternative. To put it better, all of them have already been tried. Each of them made a contribution in its time to our postwar development. But their strength has vanished as our general development and the development of the socioeconomic relations of self-management have outgrown them. What is more, we are coming rather late to the present task of an organized changing of relations in this area of socioeconomic relations which has such real importance to implementing economic policy and to the complete self-management transformation of the entire society.

EP: There has been very persistent maintenance with a financial rescue policy which all but equates work and idleness, that is, which has eliminated all the

objective criteria for distinguishing successful from unsuccessful business performance. Everything becomes possible and economically justified, and every investment project is profitable. That is why it makes no sense to talk about anyone's responsibility or of liability in general. Aside from direct economic loss, it seems to us that more than in other places there is a visible ideological blow here against the system of self-management: beginning with the superiority of quasi-welfare elements over economic elements and going all the way to imposition of an assurance unacceptable to self-management that all economic entities not only can, but indeed must progress and moreover achieve equally rapid and successful progress.

Kraigher: The policy that is implemented in practice in many cases concerning organizations of associated labor which operate at a loss or which operate constantly on the edge of profitability, that is, maintain themselves with credit just enough not to go under--and these are still more numerous--is one of the basic sources of lasting inflation and of the intensification of inflation, that is, of the solving of problems by issuing money and contracting foreign indebtedness. Not only does this diminish the capacity of organizations of associated labor and indeed of the economy as a whole for reproduction, but it also violates the basic function of the market and the law of value. No opportunity is actually given to ascertain whether the labor expenditure is socially necessary, and this frustrates selection or separation of the poor OOUR's by giving an impetus to those which are above average. All of this is inevitably expressed in the poor and irresponsible attitude toward work and toward the conduct of business, as well as in the absence of effort toward still more progressive solutions in production and in the conquering of markets.

Inflation is also making its contribution to this; not only in our country, but today in almost all countries, it is, among other things, also a reflection of the opportunism or unpreparedness of the ruling structures to come face to face with welfare problems, to confront the possibility of social conflicts, in their policy to resolve the contradictions of social development. In order to avoid this, resolution of these problems by issuing money, through inflation and by contracting foreign indebtedness, as long as it lasts, becomes an organic and integral part of their policy or of the predominant social practice, as has been the case with us as well over the last 10 years or so.

We have now reached a position where that no longer works. And solutions for OOUR's of that kind should be found first of all in changes of economic policy, that is, in changes in their development policy on the bases which have been worked out in the Law on Associated Labor and the Law on Financial Rescue. The provisions of those laws set forth mutual obligations and responsibilities of the workers and of their bodies, and then also of the managers of banks and of joint reserve funds, as well as of the funds of organizations of associated labor within opstinas, republics and provinces, and of the bodies and agencies of sociopolitical communities and especially of opstinas and chambers of associated labor. The basic thing is that the entire activity be truly concentrated on ascertaining and then correcting the causes of the losses and the poor conduct of business.

Solutions should be found first of all in relations of partners which are linked directly or indirectly, through their banks. If financial rescue programs are

verified by them, then a sound confirmation is given to their decisions on the actual pooling of funds to finance those financial rescue programs. In this connection we should especially emphasize the important role of the work organization as its functions have been defined in the constitution. In our practice it has yet to truly begin to perform those functions which it has. And this is bound up most closely with the further self-management transformation of OOUR's and of their linkage to form RO's [work organizations], above all on the basis of income and interdependence on the basis of shared income and the work process and production process and joint risks.

It is important that the workers in an ever greater number of OOUR's are beginning to examine--on the basis of their own interests--the mutual relations which they have in social reproduction, which are objectively conditioned and are based on that fact, as well as the need to overcome the relationships of buying and selling. It is in fact in the past year that we have taken an important step forward in this process. To be sure, there are not so very many examples of places where this has been worked out as it should be and set forth in self-management accords. But knowledge has been gained, and on that basis there are numerous practical arrangements created by the practice of self-management in reconciling the numerous contradictory interests in social reproduction, in establishing joint interests and in pursuing them in the form of joint income or on the basis of shared income; this is all an indication that more and more new paths are nevertheless being traced out toward the new practice, which is essential to the self-management character of production relations.

This is the basis--in the process of continuous, simultaneous and counterplanning through social plans and agreements on their bases--for us to select the tasks and priorities that have been set forth and supplement them in accordance with real economic developments and the fulfillment of plans, including plans governing the inflow and outflow of foreign exchange. The entire activity of self-managed organizations and communities and of society as a whole would in that way be concentrated on those tasks which have strategic importance to more successful business operation, for the unhampered flow of social reproduction and for achievement of the basic goals and tasks of society as a whole. However, this requires that all entities in reproduction set forth balance sheets covering the formation, distribution and use of income and total available funds as the basis of planning. In this way social planning--and the entire social practice of implementing plans, a process in which thousands of participants are involved--once its logic takes root, will act as an important factor for the stability and integration of the entire society.

Who Is the Economic Entity?

[illegible]: Along with this topic it is difficult to bypass the practical importance of the social character of income as well as the question of the price system and price policy. After all, in the latter case, just as with the law on economic relations with foreign countries, we have come too close to that point dangerous for every society at which economic entities are reproached for not applying overall arrangements which are otherwise sound. Is there any sense at all in condemning behavior which is the general rule? Or, how are we to interpret the fact that

accords and agreements, which are the main levers of the price system and not just of that subsystem, are causing effects exactly opposite to those which were desired?

Kraigher: The content and approach of your question necessitates that we first make it clear who is the economic entity in our society. The workers associated in the OOUR perform that role on the basis of their social status as set forth and defined in the constitution and the Law on Associated Labor and other relevant laws embodying the system. Do the workers in the economy, in the OOUR and elsewhere already have that kind of social status in our country? We can say that the efforts of the socialist subjective forces in our society are now aimed precisely at achieving that status for workers in associated labor and that that socioeconomic status of the workers has not been entirely realized. It is of fundamental importance that the workers have that status in the economy and in production when decisions are being made on income, on working conditions and the results of work, on everything crucial to the production of value and to the earning and distribution of income, including the worker's position in social planning up from the basic organizations of associated labor and work organizations, local communities and self-managed communities of interest. The struggle and efforts to achieve that status for the workers constitute the basic characteristic of that period in the development of our society since adoption of the constitutional amendments in 1971 and the Law on Associated Labor, in which they were given their full and integral legal expression and content.

The essential thing, one which must be the subject for reproaches--not of economic entities--but of the responsible workers in work communities of the specialized services, especially of RO's and SOUR's [complex organizations of associated labor], and indeed of SIZ's [self-managed communities of interest], is that they always resolve the current problems of production and reproduction and of drafting and carrying out social plans and investment projects on their own, that is, in a manner which reduces the self-management decisionmaking of the workers of OOUR's to a hasty and empty formality, leaving no opportunity for really studying and understanding what the materials presented are saying and what the proposed solutions really signify with respect to pursuing the workers' real interests. The process of overcoming this practice is taking place very unevenly, in some places it has made quite a bit of progress, but elsewhere it is only at the beginning. This criticism is, of course, addressed both to members of basic organizations of the LC [League of Communists] and the trade unions within OOUR's as well as to the workers in those communities and staff services and their responsible bodies. In the criticism which can be addressed to the work communities of many RO's and SOUR's, and indeed even economic chambers, we should also include the fact that they altogether lack the scientific and professional work for real linkage to form RO's and SOUR's which are interconnected in social reproduction on the basis of shared income, including relations with OOUR's in the distribution sector. We are thus witnesses of a certain stagnation in the creative function of many SOUR's, which above all link together RO's of the same kind for purposes of the division of labor and, very often, also for the division and closing off of markets, for monopolizing raw materials or intermediate products, and so on. This is one of the reasons why OOUR's are conservative and cut off, why they are still dependent in their development on the RO's or SOUR's in which they are associated.

Since the battle is still being waged for full achievement of that basic position of the workers, that position which determines the socialist self-management production of socioeconomic relationship, the nonenforcement and causes of nonenforcement of "overall solutions which are otherwise sound"--to quote you once again--are taking on particular importance, sometimes even the significance of elements of the class struggle. This is in fact the basis for judging the behavior of those so-called economic entities, and from the viewpoint of our legislation we might refer to them as self-styled entities, when and where and for whatever reason that type of behavior becomes the general rule or, to put it more precisely, a form that in some places represents struggle and resistance and in other places an expression of a failure to understand those overall solutions.

All our laws reflect not only the level of socialist self-management relations that has been achieved in a given area, but especially those tendencies in the development of relations in our society which follow from the socioeconomic relations of self-management among the associated workers in pursuit of their interests and in resolving the contradictions of our social development. At the same time those laws, by virtue of the norms that they contain--both mandatory and what we refer to as indicative--also point the direction of the necessary direct activity of society on behalf of the further development of the socioeconomic relations and system of self-management, so that through their development interests would be pursued and contradictions resolved more easily. The worker's obligation and duty in every organization of associated labor--and this especially applies to workers in the relevant specialized staff services--is to specifically elaborate the provisions as to principle and the general norms that have universal application in his self-management acts and to enforce them in conformity with the concrete and specific laws of production and the work process and the position and working conditions and conditions of development of each self-managed organization and community. These possibilities and their use constitute one of the sources of strength and one of the advantages of our self-management system and of the self-managed development of society on the basis of social ownership. Put differently, this signifies the following: Wherever there is no creative effort by the workers of professional management and the relevant specialized staff services, wherever routine is predominant and the experience of others is mechanically carried over, wherever, that is, these general and overall solutions are not elaborated and defined in more detail in those specialized staff services or with the help of other relevant specialized and research potential outside those OUR's to conform to the specific conditions of operation, wherever the specific features of the structure of relations and business relations with the workers of other OOUR's are not analyzed in their mutual functional relationships in the creation of value and the earning of income and with other social entities in the achievement of common and general social interests--in such places there is every reason to condemn this kind of behavior on the part of professional management and the specialized staff services, and this should be done, since this is an unacceptable attitude both toward the "overall solutions" and also toward the workers of the OOUR, toward whom they are not fulfilling the obligations implied by their jobs.

Nevertheless, the essence lies in understanding relations based on shared income and in understanding income as the basic expression of the production relations or socioeconomic relations of socialist self-management and as the economic expression

of successful business performance of the OUR. Which in turn necessitates an understanding of all the profound general-social and political--and indeed even class--consequences of income-sharing relations and income and an understanding of its importance as the socioeconomic basis for overcoming ethnic narrowness and exclusiveness and for overcoming a competition which grows into nationalistic conflicts. Only on foundations of that kind is it possible to establish, comprehend and master the practice and behavior of many responsible workers of work communities and specialized staff services in many OUR's who still take as the basis of their activity and thinking profit and the relations based on it and reproduced on that basis both within the OUR and also in society as a whole. And those relations, based on profit and its logic, are the objective foundation of the possibility of the penetration of nationalistic occurrences, of the closing off of markets and of the strengthening of nationalistic tendencies.

Nor am I clear about your assertion to the effect that supposedly accords and agreements, as the basic lever of the price system, are causing effects precisely opposite to those desired. It seems to me that at the very least the statement is so overgeneralized, especially when you implicitly link it to other "subsystems," that our discussion cannot progress unless we define as concretely as possible the problem which is to be clarified or commented on.

But still I will say the following: For decades now the world, especially that most advanced part of the world, has been aware of the inevitable need to improve the instruments regulating relations on a long-term basis. In contemporary capitalism the transnational companies resolve the major questions of their survival and development, such as their production program, market, etc., by mutual and internal agreement. Even in the United States many distinguished economists and institutes are saying, and it goes beyond mere discussion, that the character and work of the businessman inevitably need to undergo essential change. Change in the direction of socializing that function through a process whereby it becomes more open and interested in the environment in which it performs its function and in society in general. What contemporary capitalism is doing in practice, and indeed it is seeking new and improved solutions as a means of overcoming the contradictions of contemporary capitalist society and the struggle to preserve the foundations of the entire social order, is in our socioeconomic conditions an immanent part of the rights, obligations and responsibilities of the workers in associated labor.

I go back once again to the problem of the specialized staff services, to their orientation and to their understanding of their tasks vis-a-vis the workers in the OOUR's for whom they perform functions. It is a question, it might be said, of mentality, of the essence of their orientation and of the nature of their orientation and of the line which is still the predominant one in their business operation and the work in those specialized services in many OOUR's and self-managed communities. That is, the attitude that buying and selling is basic, and everything else is secondary. Which is to say that routine is taking the place of creative business acumen. One of the essential characteristics of implementing the Law on Associated Labor is precisely the establishment of maximum directness of income-sharing interdependence on the basis of their work and the results of that work between the workers of the OOUR's and the workers of the work communities and their specialized

staff services through the free exchange of labor. Since we are slow to alter those relations in practice, and many communities are even today being financed on principles very close to budget principles, the relations and behavior of those staff services and thereby the real status of workers in OOUR's are also slow to change. This is indeed the source of the assertions which you are citing in your question.

EP: Circumstances, usually at least, open up space for the dominance of government interventionism. There is no dispute, about every decision of government agencies being regarded in advance as unsuitable to self-management, nor is that possible. But the question is the extent to which self-management is established in those spheres of economic life by those decisions and of doing this in the manner called for by the provisions of the constitution. It is clear that no government of associated labor can exist unless the workers in organizations of associated labor from day to day accomplish ever greater mastery over the conditions and results of their labor. It is clear that we are talking about a process, but it is also clear that government and political entities have unambiguous obligations in that process.

Kraigher: In connection with your question I would like quite briefly to emphasize only the following: I agree with your observation that every decision of government agencies cannot be regarded in advance as inappropriate to self-management. Our government acts and develops on the foundations of social ownership, that is, of the socioeconomic relations of socialist self-management. And it is that line of its social development, which it has been persistently and consistently pursuing for more than three decades now, in spite of all the initial difficulties, the searching and the temporary halts--that determines the character of socialist self-management democracy, a character that is specific under the social conditions of the present time.

One of its basic functions and one of the functions of its bodies and agencies is to strengthen and develop the system of socialist self-management as the basis of the position of the working class and of all the working people as a whole, of social relations both in individual areas and also in areas such as foreign economic relations and the price system. After all, achieving socioeconomic relations based on self-management even in those areas creates the content of social ownership. That is why even in those areas we cannot speak of government intervention in the conventional sense, in cases when the government and its bodies and agencies, including executive bodies and administrative agencies, conduct a policy and implement resolutions of delegate assemblies or social compacts through their measures or legal acts, which they have been empowered to do and for which they are responsible. In that case their activity should not run counter to the interests of the entities in self-management. Of course, there is the question of the objectively given and scientifically established, that is, the professional and indeed sociopolitical, justifiability of the measures and solutions proposed by these bodies and agencies in resolving and reconciling conflicting interests, in proposing and asserting priorities, and so on. The interests of the entities in self-management may also be contradictory, and this should be borne in mind when we examine the criticism of the policy and measures of government bodies and agencies by those entities, which requires that an appropriate critical attitude must be taken toward the criticism originating from that quarter.

I would not dwell any longer on the issues of government interventionism, since in the main I have spoken about this in my answers to the other questions, including the question about the danger of the government bureaucracy becoming independent and of the same kind of danger concerning technocracy in OOUR's, banks, economic chambers, etc., as well as about the possibilities of conflict between the two sides representing the principal proponents of these interests which are not in the spirit of self-management, as well as about the possibility which often does occur--of their entering into association concerning actual large or small issues concerning the development of our society and of particular activities contrary to the self-management interests of the workers and the working people in the self-management base, and also against decisions that would develop self-management further, that would further strengthen the self-management position of the worker.

There is just one other thing I would like to emphasize. The government and its bodies and agencies do not have the task in our system of managing and developing social property and the physical base of society on behalf of society and the working class. It is their task to ensure and encourage the unhindered development of the socialist forces and the democratic mechanisms which can help those forces to develop in every aspect and to build a socialist society and its material foundations, along with the further deepening and development of the relations of self-management. When today we do not doubt that the role of the government is indispensable, and when we alter the content of its work and its organization to become an instrument of self-management, we are thereby initiating a process whereby the government of associated labor is transformed to become directly dependent on the development of self-management and whereby politics, as one of the principal levers of social development toward communism, is socialized. In that sense, then, I do agree with your attitude and demand that the government and government bodies and agencies have altogether definite obligations in this process, inter alia and in particular an obligation that the workers in organizations of associated labor from one day to the next gain ever greater mastery over the conditions and results of their labor. I also agree that in many decisions and proposals, and indeed even in the behavior of political-executive and administrative bodies and agencies the consciousness of bearing that kind of obligation is still and often feeble and not fully manifested. I agree that routine too often dominates these bodies and agencies as well even where the problems require a creative effort and initiative. Bureaucratization of the work of these bodies and agencies, wherever it occurs, can, put most succinctly, become a source and impetus to the tendencies of centralism on the one hand and those of republic or provincial autarkism as the basis of all types of nationalism on the other.

The Vision and the Present

EP: It is worth asking about all transformations whether the elements of the vision of society of associated labor, of the society which we have unquestionably committed ourselves to, can be hastily imposed in the present stage of life to the extent and in a manner which it is not yet ready to assimilate?

Kraigher: Every question put in that way requires a certain clarification, without entering into theoretical considerations and without any desire for qualifications of any sort. First, the elements of the vision of a society of associated producers

are being imposed today, and some of them are being applied, though on widely differing socioeconomic and class foundations, throughout the entire advanced world; what is more, they are being imposed as the only possible way out of the wilderness of contemporary society in which capitalistic and state-ownership relations are predominant. In other words, this means that that vision is not any utopia, nor a mere construct, but a reality that is being achieved precisely through action, through the reproduction of those elements and through the impact they are having on life and relations in society and on its further development. In Yugoslavia that vision has been accomplished since the revolution through the construction of the socioeconomic relations of socialist self-management and socialist self-management democracy. The 1974 Constitution and the Law on Associated Labor and the other laws embodying this system and the lines of development of our socialist self-management democracy express on the one hand the road we have already traveled in the steps we have taken so far to accomplish that vision and the range of our attainments, but at the same time they indicate the social transformations and the full depth of those transformations which our society must go through in the very next steps it takes.

Second, it is impossible to separate the solving of current economic and social problems manifesting the deep contradictions of our society in its very rapid development and transformation from the implementation and further development of the foundations laid down by the constitution and the Law on Associated Labor and the self-management relations set forth in the other laws embodying the system whenever any concrete problem is being dealt with. Experience and all our practice furnish us confirmation that this is the only way to arrive at lasting and fairly stable solutions in our society.

Third, it is, of course, impossible to reduce the resolution of the problems of social development in the context of the operation of the laws of commodity production, solely and exclusively to implementation of the system and resolving its outstanding issues. On the contrary, one must identify the material problems and the problems related to them in the process of expanded reproduction in all the natural interdependent relationships of their relations and developments. But it is also impossible and impermissible to expect them to be resolved by retaining the outdated and superseded socioeconomic relations and the instruments and means of economic policy that correspond to them, without taking into account their ineffectiveness in capitalist and state-ownership systems, not to mention their ineffectiveness in our system, which has a different class basis and in which the workers have the status of self-managers.

And fourth, the failure to understand or the failure to take into account the first two facts is disturbing, above all indirectly, since it indicates the one-sidedness and incompleteness in the education of responsible and professionally competent people and a disturbing lack of familiarity with Marxism and the achievements of the theory and practice of the development of socialist self-management in our country. To be specific, the following has direct importance to the practical work that contributes to resolving the outstanding problems: one must be quite definite about which elements of the vision of the society of associated labor are being hastily imposed on the present stage of life and about the manner it is not yet prepared to assimilate!? Is this the social character of income? The Law on the

Price System and Public Price Controls and the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries? As a whole or only certain parts of them? Is it also the system of concluding self-management accords and compacts and elements of guaranteeing the social security of the workers during financial rescue programs or liquidation of OOUR's, and so on?

Only definiteness on the basis of integral analyses of actual events in our society--or, for example, analyses about how particular elements of our socioeconomic system and the measures to implement them are withstanding the fire of social practice--only in that way are we able to take further steps in accomplishing that vision, as the performance of tasks and attainment of the goals of our social development become easier and easier. And conversely, all indefiniteness on these matters necessarily creates or compounds the confusion and strengthens the positions of the old and basically already superseded in our society.

EP: It seems to be precisely the power of the technocracy and bureaucracy that is based on permanent "parcelized" (as it is said) self-management, on always granting rights to the self-managers with a certain reserve. Self-management, that is, is indisputable, social ownership, which is neither private nor state ownership, is indisputable, but the question is whether they are understood and applied in the same way. We feel, for example, that our tax system is not what it should be and that it is actually hampering the rights of the self-managers precisely because it is oriented above all toward indirect taxes, athat is, toward very large revenues collected through the turnover tax.

Much the same is the case with price policy. It is beyond dispute that society must conduct a price policy, but the impression is that the Law on Prices is unenforceable, since the criteria are such that it is difficult to apply them altogether. Which means that we are alienating this policy from the producer and are creating a basis for voluntarism.

Kraigher: First as concerns income. You said that you understand without reserve the social character of income, which is opposed to income under state ownership and private ownership, but you omitted income based on group ownership. Yet this is the one that in its further development could become private ownership. To be sure, this is becoming increasingly difficult in our context. But it does exist as an alternative, one can even say, to the social character of income, as a possibility which unfortunately very frequently occurs even in our practice. These tendencies are embodied by key professional management structures vis-a-vis the interests of the workers in basic organizations of associated labor and the manner in which their decisions are adopted. After all, proposals prepared in the specialized staff services are still predominant, regardless of the real and long-range interests of the workers. That is why group ownership has a real basis of existence in our socioeconomic relations and is one of the factors of those contradictions which can be resolved precisely by achieving the social character of income and other conditions in our everyday business practice. If this is skipped over, one skips over the specific role which arises out of the objective situation of the staff services oriented toward technical fields or business, out of that technocratic organization, insofar as the workers of those services and organizations are not what I would call class conscious in this respect. Of course, an adverse view should

not always be taken of a technocratic organization, since we are talking about people who are indispensable because of their knowledge of engineering, technology and the laws which prevail in those domains, and their social character is altered by the creation and development of conditions whereby the differences between mental and physical labor are overcome. This process is stepped up as self-management develops.

Second, with respect to the tax system, I mainly agree with you. I recall an editorial in EKONOMSKA POLITIKA a few weeks ago or a bit further back in which you spoke about the tax system. I saw at that time that the discussions which we had in 1952, when we were making the transition from the administrative system to the system of rates of accumulation and funds, are beginning to start up once again. At that time Kidric was a great opponent of adopting the turnover tax as the principal form for draining off accumulation, that is, as the method of redistribution of accumulation. And actually during his life the turnover tax played an altogether secondary role. Only when we began to depart from the system of accumulation and funds, which was necessary, did the turnover tax emerge as a very important factor. Even at that time it was a great hindrance, since it built up in different phases of manufacturing and processing so that one could not see the actual price of production, nor could one see production costs. Later we therefore reduced this solely to the turnover tax on final products, except for petroleum and its derivatives. Over the last few years we have begun to make the transition from the tax on personal income in ever greater measure to the tax on corporate income (dohodak) as the principal form, as the base of the contribution, which we consciously abandoned in the seventies (in connection with the Eighth LCY Congress).

At present we are somewhere in the middle of all the solutions up to this point. I think that this has not been fully examined. Our society and the social division of labor have become more diverse, and this is becoming increasingly manifest in the interdependence of economic organizations with respect to the final product. The present system is not sensitive to those movements. I think that there is basis for debate of the tax system, I only do not see the basis for your objection that the workers are being given "piecemeal" self-management. In the first case, in connection with group ownership, I agree that there are quite a few economic policy measures which retain several rights for the administration and grant organizations of associated labor reduced opportunities to authentically conduct their own policy and in that sense bear liability in direct relations with their interested partners. There are such cases. But there are also others: where self-management is granted "piecemeal" to workers in basic organizations of associated labor by the professional management and technocratic structures and by the work communities. I think that this is still our basic problem.

Finally, the price system affords the associated workers the possibility, the right, the obligation and the responsibility to conduct a price policy and a pricing policy. Not a policy of prices in general, but a policy concerning the prices of particular products, together with their partners. This is a system whereby self-management accords are concluded concerning prices. This is the essential definition of the postulates of the Law on the Bases of the Price System. There have been great discussions of this: Is it something realistic, something possible, or is it what you refer to as a vision?

We feel that there are elements of direct setting of prices outside the market, that this is one general characteristic of contemporary world development. Of course, this does not mean that this is done apart from the operation of the law of value, but that socialization of production has reached such a stage of development even under capitalism that the position of two partners in a business transaction cannot be evaluated in terms of price policy. This is reality. And in our country, where the entire system is based on social ownership by definition, we feel that social ownership can be achieved only if the most direct possible relations are authentically established in price policy and in pricing between trading partners in examining the consequences, that is, the economic position of both sides, which is to be done on the basis of the law of value, and not on the basis of anyone's voluntarism.

This is the tendency, this is the course, but there are departures from that course, and there is voluntarism in this area, there is monopoly, and there is pressure. There are all kinds of things, but that is the reality of objectively given relations. Voluntarism is not a consequence of an agreement on prices reached by trading partners, but arises out of concrete material conditions and objectively given social conditions which we want to see changed. These circumstances make it more difficult to resolve the contradictions of social ownership and its development in the way we would like. But even capitalism has not had a society in pure form. It is thus my feeling that our approach is not professional or scientific enough in evaluating these manifestations of our social laws, that is, we are not dialectical enough. That is, without taking into account the process, the fact that something new is making its way at the expense of the old, but not because someone has had a vision and seen a utopia and wants to bring something to life, but because the very development of the productive forces requires it if continuity of production and reproduction in society is to be ensured along with this division of labor and its further development and if there are not to be those major difficulties and upheavals or at least with the least possible upheavals. That is no ideal society, though I think that in that respect we are still the society least fraught with conflict. But perhaps that is one of our rather serious problems. Nevertheless, in discussing the price system, we all hope that this is the road toward finding the elements of mutual agreement which will make it possible to reconcile all the relationships which have an impact on prices. Our efforts should be bent in that direction. I therefore think that it is essential, and here I agree with you, not to allow the price communities to become an extension of the former price bureaus.

The Spirit of Planning and Planning Practice

EP: Taking the overall view, it is certain that unless labor and capital are pooled, and that means pooled for a particular product and a particular production operation, there is truly no progress. However, experience shows that pooling is usually the fruit of, say, the financial rescue of some work organization--this is always, of course, sponsored by the local authorities--or it is in large part a pooling required by law or by some other noneconomic pressure. It is no wonder, then, that events bypass the workers, since the motives behind pooling lie outside their lasting interests. For example, the Law on Planning has not been put into effect even now. Do you think that the cause lies in practice or perhaps in one of the solutions set forth in the law?

Kraigher: We are insisting on the pooling of labor and capital and on the conclusion of accords to that effect not because of any constructs, but because of analyses of the contradictions which the buying and selling relationship renews in social reproduction not only in our context, but in the world in general.

As for the Law on Planning, in my view this is still a question of practice. A question of practice in the sense that we have not yet essentially changed the relationship in which the professional management and the specialized staff services are in spite of everything still the real basic factor in decisionmaking. However, conducting business policy in the manner we have seen up to now actually means this for a large number of OUR's and self-managed communities: to continue to operate without a plan. Nevertheless, a step further in application of the law has been taken in the preparation of the present plan. Not so much in the economic base and in the social services as with government bodies and agencies and the administration at all levels. And that is one step further, though both the planning and the other relevant agencies at the federal level and in the republics and opstinas are still far from applying all of the letter, much less the spirit, of the law. It was possible to take this step with government bodies and agencies and the administration because there are more and more work organizations and even complex organizations and self-managed communities of interest which are nevertheless undertaking the conclusion of self-management accords on the bases of the plan and are establishing basic priorities through mutual accords and in their own plans, which already means a kind of integration and achievement of social ownership through the plan and through planning and joint determination and accomplishment of economic policy and development goals.

EP: Industries and groupings are now demanding between twofold and 10-fold more capital for investment projects than envisaged in the agreement on the bases of the plan. In a way this is even to be expected, they all want to develop as fast as possible, to invest as much as possible, and so on. However, it seems to us that this results from the absence of self-management, the absence of true and full responsibility. Put simply, it is important to begin construction so that whenever there is no full responsibility for an investment project which has been undertaken, it means that wishes are being projected in the form of programs. That means that the entire system ought to operate rigorously with economic consequences, and only then will the plan become far more realistic and become an instrument of linkage. Beginning with the financing of investment projects and all the way to financial rescue programs and liquidation, if, as you have said, there is no real financial rescue program.

Kraigher: At the very outset of our conversation I said that the monetary and credit system is our principal weakness, and this has been true for years now. After all, it is ridiculous to hear that we are constantly spending beyond our means. On the other hand we are constantly saying that we can spend only what we have available. That is why we have inflation and the printing of money and uncontrolled contracting of foreign indebtedness as a consequence.

For me, I repeat, this is the greatest weakness of our system, and this has been an open question since the transition to the logic of the market and actual market relations in 1952. Now that we have reached this level of development, it is impossible to speak about orderly relations on the market and in the economy unless the

creation of purchasing power and reproduction of consumption are put on an economic basis. This is also the source of all kinds of "pegging." If there were no credit, there would be no possibility of paying considerably more than the official rate of exchange for dollars. But this is now made possible by credit, by note issue, by the creation of money, and anomalies occur.

Under those conditions there is no system that can begin to follow its own logic and impose it on producers. This derogates the market. The present role of the banks, including the national bank, is derogating the function of the market by taking credit as a foundation, since nonmarket factors are dominant. In the past we have altered the initial arrangement several times, more under the pressure of stagnation than on something profound we have learned through the practice of self-management. The present law on banking and credit transactions has incorporated certain new elements, but it is also a compromise law. And the monetary system, in the transitional period from capitalism, always is taking its toll in the form of compromises through its operation in the system of self-management. Above all through various forms of deformation of economic and socioeconomic relations, and indeed of many other relations in society as a whole.

KF: Several times you have mentioned compromise as the cause of poor solutions. Would you sum up in conclusion which points of the system and its mechanisms should not be the subject of compromise or departure from principle. What is it that must be generally known in advance and must apply equally to all?

Kraigher: As for policy, I would say that first we should establish joint priorities in Yugoslavia's economic policy and development. Those priorities, moreover, on which Yugoslavia's consolidation depends, above all the process of stabilization and strengthening its position toward foreign countries. I think that we must insist here that within the limits of the funds which it is anticipated we will have over the foreseeable future we devise priorities and stick to those priorities regardless of the republic that is involved. The next constant is the federal budget, namely what has priority for the armed forces and for the development of the underdeveloped regions. All those things would be incorporated as priorities into the plans of republics and opstinas, and this would in turn restrict the funds available for solving those problems which these sociopolitical communities must solve as self-managed communities and would restrict their responsibility as sociopolitical communities to provide such funds.

In the agreement on the bases of the plan for the coming 5 years we did arrive at a certain policy that was jointly established, but 40 problems were left outstanding. These are not petty problems, but comprehensive ones, and we must therefore choose priorities from this group. Things have come to a standstill in this respect, not only in the Federal Executive Council, but also in the executive councils of the republics and provinces and their agencies. Matters came to a halt halfway. We have a plan that serves as an approximate orientation, as a policy, but for precisely that reason these priorities have not been firmly defined, we do not at present have the basis for concluding self-management accords at the base, in the economy. The economy does not have enough orientation in this regard. And these are very important issues. This is the orientation for production and for the appropriate structure, not only for investment projects and not yet taking into account the makeup of those projects.

In connection with the system I think that we must arrive at the point where our market is operating by its own logic, and here there must be no compromise. This does not mean abandoning social welfare policy, since that would be incompatible with our socialist system. But for precisely that reason we have all the greater obligation to see that the market operates by its own logic so that we furnish ourselves objective criteria for more productive production and for more rational behavior in society as a whole--so that we begin to conduct our business in a truly up-to-date way. Social welfare policy and general social security operate as correctives, and they will not disappear, since the workers today are so strong and conscious of their power, that they will always compel this corrective to be applied. There is no other way. We are a society of workers and working people, and for precisely that reason we must be consistent in making it possible for the market to operate, since we have more strength and space and fewer reasons for opportunism in this respect. Opportunism is actually always a compromise, it always means allowing some form of expenditure which is not justified and artificially reviving certain interests and the survival of certain groupings without an economic foundation at the expense of others and of society as a whole, and sooner or later they have to go under.

Straightening out the market and mastering it and examining the real results of business operation of OUR's would be much easier if we liberated what is called "wandering capital." But for too long we have been allowing compromises in the freewheeling operation of commercial and banking capital vis-a-vis the producers and many compromises in the domain of the social services and nonproduction activities, with their essentially budgetary mode of financing instead of the free exchange of labor.

And then remuneration according to labor is rudimentary, and here we are making many compromises. Here again there is the demagogy which I spoke about earlier. We spout a lot of theory about income ratios, but we make compromises when it comes to actual remuneration. After all, when we ask the workers whether they have anything against their engineer or technician being paid sixfold or sevenfold more than the lowest personal income when they benefit from his work, we never have any problems. But there are, of course, problems when a wide spread opens up in the personal incomes of workers in the professional management and the specialized staff services automatically, on a budgetary basis, on the basis of evading the task of ascertaining the real results of their work and remunerating them accordingly.

And--perhaps we should have begun with this--there is the making of decisions on the surplus labor, on expanded reproduction. This is the incentive for management of funds and for decisions on investment projects which must be indicated in personal incomes. You asked a question about the law on past labor. I think that after many years of discussion we have arrived at something that can provide an economic incentive for the workers to make a greater commitment to investment projects and to management of the funds for social reproduction. However, to a large extent it depends on how the system of remuneration on the basis of past labor is worked out and how it will be elaborated in concrete terms in organizations of associated labor, since the conditions vary greatly.

The public discussion of the Law on Expanded Reproduction and Past Labor will certainly contribute to improved examination of the value of the solutions proposed and to finding better solutions.

After all, it is a general rule that all our laws are unenforceable. They are acceptable in principle, but in practice they cannot be applied equally nor directly everywhere. There has to be elaboration for the concrete conditions in the self-management acts of every self-managed organization and community. This is indeed an advantage of our system. After all, our law is not a law with bandaged eyes, but it is a law which needs to be concretized to suit the individual and special conditions of operation and development of every specific entity on the basis of work and results and the corresponding solidarity, both as a society and also in human relations.

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CSO: 2800/236

PROFESSOR HORVAT QUERIED ON ORIGINS OF CURRENT ECONOMIC SITUATION

Belgrade STUDENT 25 Mar 81 pp 4-5

[Interview with Professor Branko Horvat by Goran Gous and Dragan Jakovljev]

[Text] Dr Branko Horvat, Professor in the Zagreb Department of Foreign Trade, Scientific Consultant at the Belgrade Institute of Economic Studies, and editor of Yugoslavia's only international journal EKONOMSKI ANALIZE, is well known for his lucid economic forecasts. Openly citing the causes of Yugoslavia's present economic situation, he touches on a series of Yugoslav economic questions. In many ways his perception of these problems differs from others that have appeared in Yugoslav media. Portions of this interview appeared earlier in GLAS EKONOMISTA, the Economics Department Student newspaper.

[Question] The present economic situation results partly from a series of failures in systematic social development and economic policy, and partly from well-known external influences. How do you see the situation?

[Answer] What you have said is definitely true, but the proportions must be correct. Here in Yugoslavia there is a tendency to blame most of our troubles on the international situation. In my opinion, however, that is not worthwhile, because if we consider Yugoslav economic development in the past 30 years, since 1952, we see that it has developed independently, and that cycles, crises, booms and busts abroad and on world markets have affected us quite minimally. By far the largest impact has come through institutional changes. Those in 1952 initiated more rapid growth. Then we had an unfortunate reform in 1961-62, which sharply reduced growth, even though nothing similar was happening on world markets at that time.

Then we had a catastrophic reform in 1965, which reduced the growth rate to zero in 1967, while world markets were developing at full speed; that was a period of full employment in Europe and the emigration of our people to France, Germany, Switzerland and Sweden. Only in 1973 with the oil crisis were we truly affected by these external events to a somewhat greater degree, but since 1973 we had already prepared our inflation quite well, so that the world inflation of 1973-76 was superimposed on trends that were already built into our economy and which unfortunately were never reduced, but in fact were accelerated. That is the way we came to be in our present situation, because we cannot achieve stabilization

with the institutional policies that exist. I do not think that the current policy is the best possible one. On the contrary, there are many defects in the current policy, but I think that it can be scientifically proved beyond a doubt that even with the best current policy we would not be able to achieve stabilization within this institutional framework.

[Question] It seems that the first mistake was made as early as 1961. What happened then?

[Answer] Well you see, we had the 1957-1961 Five-Year Plan, which was completed in 4 years and which was phenomenal. It surprised everyone, and it was completed because we correctly perceived the institutional development of the country. To be specific, Yugoslav self-management required constant institutional changes, and reforms, and we made those changes. Then in 1961 there was a carelessly prepared reform that was hastened by 3 months, completely in that state apparatus and in a totally old, administrative manner. The economy reacted violently to that for in 1960 the economy had many self-management elements and also numerous market elements. I recall that in 1960 we applied administrative controls to fewer prices than in any year either before or after that. In fact, since then we have had the intention to liberalize prices, but the prices have not been liberalized. First they were increased, and ever since they have been subjected to ever greater control. The economy was no longer under administrative control, but the reform was carried out in a typically administrative manner, just as all previous reforms had been. The administrative economy reacts slowly, and then you have to give blows and shocks. The market economy, however, reacts neurotically. If you give it a shock, the multiplier begins to function in the economy and in 2 years it can result in zero growth. Our state administration gave that kind of shock to our economy in 1961. I remember it well, I was in the Planning Institute at the time when panic ensued. In reality, from month to month the economic indicators showed an ever greater slowdown in growth, and no one knew what was happening. Then ideas emerged about too much self-management and too much decentralization that were proving harmful. Decisions were needed in the direction of decentralization and stronger administrative direction of the economy, but that approach was not accepted.

[Question] But were there other decisions?

[Answer] Only then did they realize that there was scientific research in Yugoslavia, and only then did they call upon the scientific research organizations to provide a solution. That was the historic "Yellow Book," in which we assured the political agencies that the lag in growth had resulted exclusively because of poor economic reforms. We referred to that at a session of the Federal Executive Council. The yellow book was adopted, and corrections were made, so that in 1963 we had one of our best years since the war, judging by all economic parameters. The state did not, however, accept one of the warnings of the economists. Specifically, we said that the problem could not be solved in that manner over the long run, and that a long-term solution would require a longer term policy. As soon as the situation improved, the political structures forgot all the panic of 1961 and 1962 and thought that everything was once again in order. Then in 1965 we had a new reform, which was really a worse version of the

bad reform of 1961. It was not worse in the sense of preparation, for this time it was prepared much more thoroughly, but rather it was worse in terms of its radicality, for it went much further than the reform in 1961 and 1962.

[Question] After 5 years, the economic reform ended with a situation which was the same as had existed when it started, and which was the reason the reform was begun in the first place. What errors were made in that reform?

[Answer] One of the defects of the manner in which we conduct planning and develop economic policy, is precisely that fact that previously we made no serious analysis of our failures, so that we simply dropped the 1965 reform without making any serious analysis of its errors and failures. All of that ended with a couple of slogans asserting that liberalism had led to the situation, including uncontrolled market relationships, monopoly manifestations, differences between social classes, unemployment, etc. These things were naturally true, but we had already had them at the beginning of the reform. Therefore, we did not need 5 years to experiment to find out that laissez-faire policies in the second half of the twentieth century do not function even in America, let alone in a self-management economy such as ours. So the answer to your question would be an improvisation, since the real answer would require analysis, not only of the economic circumstances, but also of sociological, social, psychological and political factors. Such a comprehensive analysis could show us how it happened that we undertook a reform about which the leading economists in the country, those with scholarly reputations, had given a negative evaluation in advance. In 1967 we organized a conference here at the institute behind closed doors exactly for the reason that we did not want to come into conflict with the officially proclaimed policy, so that we could avoid any possibility of issuing labels. We called on political functionaries and scholarly workers to explain the erroneous trend on the spot and to do so on the basis of the research that was being done in the institute at that time. I do not know why it happened that the political agencies did not listen to any suggestions or warnings at that time.

Alternatives

[Question] In many ways, 1971 was a decisive year. The situation again was such that new changes were unavoidable. What did we do and what effect did the economists have?

[Answer] It is not only that they had no influence, but that policy went directly against the recommendations of the economists. Precisely at that time, and at the request of the federal executive council, a group of economists suggested an approach. It was clear that the reform had failed. Something had to be done, and the Federal Executive Council asked me to gather colleagues from all the republics. We prepared a document known as the "White Book" with a concept that you could crudely label the approach of planned-market self-management economics, where the main idea was that the enterprise would have absolute autonomy in all economic decisions. That means that the labor collective would do what it thought should be done, and no community, republic, or federation would interfere. There would be no price controls, to say nothing of regulating daily wages and all the other controls we now have. Thus there would have been complete freedom at the level of the labor organizations. But such an approach

is possible only if in the center of the country,—and here I mean not just the Federal Government but also the Federal Economic Chamber and all our central agencies including the Trade Union if you wish,--if in the center of the country there is a synchronized economic policy that equalizes operating conditions, so that everyone earns what is the result of his or her labor, and not the results of chance factors on domestic or foreign markets. Thus, parallel to the autonomy for labor collectives, conditions must be established for effective economic policy at the national level. That idea was not accepted, so that the White Book prepared for the Assembly was never discussed. Instead of that, another trend prevailed that returned our economy to administrative control. Since it was not possible to return to the situation prior to 1952, where state agencies directly ordered what was to be done, that was replaced by pseudo-state forms of administration, such as the various contracts and agreements. They too, however, proved to be insufficient. It was seen quickly that that approach was not functioning. Then we went to direct decreeing of measures and price setting, and you know all of that.

[Question] Does that mean that self-management negotiating and agreement as invisioned could not be realized?

[Answer] Of course, for the basic concept was administrative. That is where the chief shortcoming emerged. The self-management economy requires the possibility of initiatives from below, free initiatives, not a situation where if you want to undertake something you have to ask a multitude of forums, partners and the like. If you want to reach an agreement, all right. If you do not want to, that is all right too, but no one can require you to do something. As soon as such requirements can be imposed, that is administrative limiting of initiative and that is contrary to the self-management concept. Therefore, you cannot have a self-management economy along with an administrative superstructure, yet such a combination was initiated in 1971 and by these later reforms and demands. Then constant clashes occur and, since the economy must somehow continue to live, the clashes must be resolved in one of two ways. One way is by formal legislation and formal decisions, which simply do not work. Rather this has to be done informally. As soon as you have a situation where formal decisions to not work, you lose the possibility of control. Then possibilities of abuses appear, with various chaotic tendencies, and you get the situation that has characterized the period since 1971 and in which we find ourselves today. The other method is to fail to carry out large numbers of agreements and contracts. In fact, the Federation was the first one to fail to keep its agreements, and thus we were unable to fulfill our intermediate plan on time because agreements were not fulfilled. Now I hear at a conference that another 50 points of the plan remain open, unresolved or awaiting resolution. Thus every degree of discipline in our economy is lost, and all of this occurred because of this contradictory notion of self-management on the one hand, and pseudo-state measures on the other. These approaches do not go together. Therefore, we must in fact have a free market economy. In that sense, the feeling of the people who conducted the 1965 reform was accurate. They had positive goals in view. They wanted somehow to free the economy from state restraints and to make initiative possible for labor collectives. The only problem was that they did so in a terribly clumsy and primitive fashion, so that they discredited the whole idea. You know that for a long time thereafter, the market economy idea was discredited here in Yugoslavia.

Some new instruments are constantly being found to apply controls and brake that market economy, so that in reality we no longer have a market, and yet without a market there can be no self-management autonomy.

[Question] Both here and in foreign economic literature and political circles, we not infrequently encounter the interpretation that our economic woes are the result of too much self-management. To what extent is that true?

[Answer] That is one of the frequent, deeply erroneous assertations. From there to the conclusion that self-management is an experiment that failed is just one step. What we have too much of is lack of discipline and disorder, and not self-management. The labor collectives are in a situation where they can do nothing at all on their own initiative without someone giving them tutorial instructions. You may reach agreement today on some prejected plan based on parameters that are available to you. In 3 months that plan is no longer worth anything, for the prices have changed, the foreign exchange policy has changed, the government has frozen this or that, or the raw materials have disappeared. Today in the country there are numerous enterprises that are working at 30 percent of capacity, because they cannot import the basic raw materials they need. In such a situation, to say that we have too much self-management means to state the most ordinary stupidities. We have an unorganized economic system which in large part has made self-management impossible, and precisely because self-management has been rendered impossible, I am talking here naturally in the economic sphere, we have poor effects. When self-management was being given greater operating scope every year, in the period from 1952 and thereafter and especailly from 1955 to 1964, then it showed colossal results.

Unequal Distribution

[Question] To what extent is distribution based on the results of labor adequate for our circumstances, and what is the difference between it and distribution according to work?

[Answer] First of all, I think it would be good to draw the distinction between distribution according to work and distribution based on the results of labor. Here, however, we must be very precise. In a self-management economy, the results of labor include 2 elements that are distinct from those in a capitalist economy: they include the direct labor of a worker at his working place, and they include something you might call his work in the enterprise. Precisely, the latter means the degree to which he cooperates with his colleagues, how well his self-management structures function, whether these factors have been set up on self-management relationships or whether competition is taking place, are the best people hired or are some restraints applied, etc. All of that enters into the results of labor, so that in addition to work performed at the place of actual work, this part of total labor should also be assigned a value. In our economic theory, that has not been stated clearly enough. As far as I recall, only Professor Bajt was very explicit here. In that regard, however, academic theories and particularly official, institutional theory, have not been conscious of this factor, and that has resulted in a confusion of concepts. When that is taken into consideration, then I think that distribution should be made according to the results of labor defined in that manner.

[Question] Are the results of labor frequently equated to the market situation here in Yugoslavia?

[Answer] Yes, but that is something entirely different, for the market situation, particularly when it is like ours, gives absolutely no criteria for distribution according to labor. Therefore, whenever someone comes up with the thesis that distribution according to work results means something that the market verifies, and we have the kind of market that we have, then we know that that is an apologetic thesis that seeks to defend someone's interests. On the other hand, the question arises as to how we can reach a good acceptable distribution system that will be compatible with self-management and will distribute according to the results of labor. Here I can state that we have a solution, Yugoslav economic scholarship has provided such solutions. But once again, Yugoslav economic policy is not using those solutions. We have a rather amazing situation wherein for effective work, and thus for the true results of labor, our workers are paid differently depending on the branch of industry in which they work, according to pay rates where the disparities are incomparably greater than in the capitalist system. Thus the trade unions in Western Europe have been better able to equalize wages within their framework than we have. In that sense we have a direct violation of the principle of distribution according to labor.

[Question] Why is that the case? What leads up to the situation where we have a 3.5 : 1 variation in wages for the same tasks in various groups?

[Answer] One of the reasons is that instead of a single unified income distribution policy, we have 8 different agreements on income distribution, with every republic and province having its own. Another factor is that those agreements are based on total ignorance of economic principles. I must say that it is somewhat amazing that they are all equally bad from the point of view of the economic discipline, including those in Slovenia and those in Bosnia and Hercegovina. That is something that I simply cannot comprehend. It means that the professional economists simply have no impact in the circumstances where these arrangements are being made, for the arrangements apparently only consider political factors exclusively; in other words, political opportunism has reached a point where normal dialogue between the politicians and the economists has become impossible.

[Question] Are tendencies toward the formation of individual republic economies becoming more pronounced here in Yugoslavia?

[Answer] There you have touched upon a very delicate question. That is one of the fundamental problems of our current society, and probably one of the reasons why we never succeed in making obviously necessary economic reforms. I would bring up a heretical evaluation that asserts that the 1965 reforms not only failed to create a liberal, laissez-faire policy, or uncontrolled market operations, but instead they resulted in a differentiation between republics and provinces, and between individual social classes. They caused unemployment and created sociological effects in the sense of awakening latent nationalism. In Croatia a mass movement was spawned, which is perhaps the most pronounced example of that nationalism, but it also appeared in other republics. In 1971 the policy

brought that aggressive, destructive nationalism under control, but the economic slogans of the mass movement about republic economies have slowly been put into action. Those events have never been subjected to political analysis here in Yugoslavia. There is no longer any place for economic analysis there, that is now political terrain and therefore, I would not want to enter into a consideration of that side of the question. The nationalist infection that started in 1965 has not been overcome, but rather those slogans have slowly been brought to life and we have ended up with closed republic economies, to the extent that even in relationships with foreign countries, where it is most obvious that the community as a whole must be in control, and not partial segments of the community, there too we have turned control over to the republics. As a result, republics have begun to be treated as foreign countries in dealings among themselves. When we speak of a republic economy, then we are thinking mainly of 2 factors. First there is the matter of autarchic trends—if there is integration then it is within republic borders, every republic in Yugoslavia is a microcosm. Secondly, there is the tendency for republic bureaucracies to begin to behave as the proprietors of those republic economies. Now, when we have both these tendencies, then naturally they behave toward the outside, meaning toward the Federation, as if it involved some exponents for attacks on their property in their republic economy. Thus assertions insisting on republic sovereignty in order to develop the republic's economy not only are inaccurate, but the facts show that reality is in fact just the opposite. Namely, sovereignty (although no sovereignty is involved at all) leads to limitations to the growth of the economy of each individual republic, and naturally then a limitation [Translator's Note: Line of type omitted]. Because of its sensitivity, however, this question calls for a much more comprehensive treatment than can be given in a conversation such as this one.

[Question] How often is responsibility for erroneous economic endeavors placed here in Yugoslavia? Comrade Mitja Ribicic recently spoke about that.

[Answer] Comrade Ribicic did not state that, when he was president of the Federal Executive Council, and I was director of the Institute for Economic Studies, (at that time a federal institute), he received a very serious warning from me concerning impediments to the work of the institute and to scholarly work in general. The cause of that was the increasing commercialization of institute work, as well as various pressures concerning critical investigations, as a result of which my institute was beginning to feel the shortage of resources. Consequently, I was forced to seek a decisive answer to 2 key questions: Does Yugoslavia need economic research, and does the Federal Executive Council need scholarly criticism? A negative answer, or no answer at all, which would amount to the same thing, would bring my resignation. I did not receive any response and so I did resign. That is the reason why I have not participated in the direction of the Institute that I founded since 1971, and why I have been engaged in theoretical questions rather than the Yugoslav economy since then. This episode shows that comrade Ribicic is equally responsible for what is happening in Yugoslavia, right along with Djuranovic and others. But certainly it is a positive indication that the question has been raised, since if such questions are to be resolved they must be brought out for public debate. According to one study of Yugoslav regulations, take the Law on the Association of Labor and other laws, and the statutes on labor relations, the closer you are

to the actual work place, the more specific is the attribution of responsibility. but as you move further from the work place, responsibility becomes foggier and sanctions slowly disappear. By the time you reach the macrolevel of the state, there is no longer any responsibility.

[Question] To what extent is that connected to initiatives on that macrolevel? Is there a connection whereby greater initiative brings greater responsibility?

[Answer] That is a very complex question, and on the macrolevel it is strictly a political question, so that for an answer you should turn to a political analyst. I would not become involved in it. But in one way I agree with Mitja Ribicic, and that matter seems indisputable to me. That is what the responsibility for economic policy and the effects of good or bad economic policy rests with the government, and there no excuses that difficulties existed or that the republics did not reach timely agreements, or that the political directives were not clear, --none of those excuses are valid. When someone accepts the portfolio of a state secretary of president of the Federal Executive Council, he takes on the responsibility for conducting Yugoslav economic policy. He cannot take the position that "I am not responsible, it is someone else, but nevertheless I will retain my leadership position." That does not work.

[Question] Our economic situation is exceptionally difficult, but naturally, it is not insoluble?

[Answer] There I would agree with you. Recently we had a conference in the scientific section on the occasion of the five-year plan. It seems to me that I was the only one who brought an optimistic note into that conference. As you know, the new five-year plan foresees further decline in the growth rate, further decreases in the improvement of the living standard, further and drastic decline in investments, so that in the next 10 years we will have a low growth rate, unemployment and slow improvement in the standard of living. Even in that situation, I attempted to approach analysis from another direction. If it is true that the basic defects in our present situation come from the fact that our institutional system was erroneously conceived, then the reaction to that situation should be corrections of the institutional system, and not decreases in the growth rate. The investments made in past years have been greater than our capacity to absorb investments. It does not follow from that that we should reduce investments, but rather that we should increase our capacity to absorb them. Or take the general belief that we consume more than we produce. That is true, but it does not follow that we should reduce consumption, which is the general orientation adopted by our political agencies. And now I would come to the key conclusion, where I assert that I turned out to be the only optimistically oriented participant at that conference. We have behind us several years of rather unproductive investment, unproductive in the sense that the facilities are not being utilized, that investments went into the wrong branches of the economy, that disproportions were created and bottlenecks emerged, so that the effectiveness of investment fell in direct ratio. That situation, with unutilized investments and many bottlenecks is in many ways similar to the one we had in the period after the first five-year plan with the completion of capital construction, except that in 1952 our chief bottleneck was a lack of personnel.

We simply did not have people who could operate all of those facilities. We made mistakes out of ignorance. In that sense, our situation is totally the opposite today. We have so much personnel that we can scatter it all over the world. We really export specialists. Thus the crucial element of development, human capital, exists today.

[Question] Does the possibility for an economic turnaround exist?

[Answer] A tradition has been created here that a feeling for changes first appears among the political bodies and then involves scholarly workers. Today, perhaps for the first time in our postwar life, we are in a situation where the scholarly workers perceive the need for change much more drastically and radically than do the politicians. Since we have no mechanism whereby an initiative could come from the scientific sector, and the politicians have not matured enough to initiate it, we are now in a stagnant status, where as far as I can see we are perpetuating administration of a register of failures and negative policies, while criticism is repeated.

Optimism Above All

[Question] Would scholarly workers be able to agree among themselves?

[Answer] I often get that question, and the slogan has always been attached to it immediately that "You economists are like horns in a sack, there are as many different ideas as there are economists." We had 2 possibilities to test this thesis as to whether economists agree, but it was not empirically tested directly. One was the writing of the "Yellow Book" in 1962, and the other was the work on the "White Book" in 1970, at the request of the Federal Executive Council. In both cases the prognosis was that there was no agreement, particularly since economists from all republics were included in the task forces. In both cases, when we started to work viewpoints varied, and everyone worked in his own environment; in both cases, after a relatively short time we came to a unified position. I think it took 4 months with the Yellow Book and less than 2 months with the White Book. From our varying points of departure we reached agreement so that both books were signed by every participant involved in them. On the basis of those 2 experiments, I can assert with complete responsibility that qualified professional economists, and here I stress qualified, since everyone who has a diploma is not necessarily qualified, but people who first of all know economic theory and who in addition have a certain amount of experience and practice, I assert with full responsibility that today as previously qualified professional economists in Yugoslavia are capable in a very short time of agreeing on basic issues, relating to solutions to the questions that are being discussed today concerning the Yugoslav economy. That only needs to be requested of them, but so far they have not been asked. The conferences and scholarly sessions that we have from time to time are good, but they are not the same as the work done when you call 10 people together for 2 months with full responsibility and expect that they will produce a single document. That is a completely different manner of working, and that is not taking place.

[Question] What key factors should be dealt with now to overcome the present status?

[Answer] When you take into consideration that we have fixed capital that is in inactive, because of the poor institutional system, and that we have numerous bottlenecks that could be eliminated with relative small investments, and that we have enormous unused human resources, then it seems to be completely obvious that there is no reason for pessimism and no reason for planning declining growth rates as we are now doing. We are doing that simply because our whole concept is improperly oriented. It is oriented toward some sort of belt tightening, restraints, instead of being oriented toward eliminating the errors in building the institutional system. Therefore, it seems to me that at this time the key factor for this country is the mobilization of all scholarly potential to determine, not the defects of our institutions, we know them, but to determine in an intelligent manner the possibilities for a gradual reform of those institutions so that we can in the shortest possible time experience what we experienced in 1952.

In 1952 we faced a crisis that was much worse than today, for we were on the verge of hunger. Nevertheless, that was the beginning of an expansion that has no equal in our economic history, which at that time was the most rapid in the world. I really do not see why today, when we are in a deviant position, we could not do something similar, if we were to be in a position to carry out an adequate economic and political mobilization. In that regard 1981 is more difficult in a sense than 1952, because our basic problem is a very complex economic structure that corresponds to that level of development, while on the other hand we have an exceptionally complicated social system that has no external parallels. Thus there is no possibility of copying something; rather, we must reach a solution based on our own efforts. From those 2 components I extract the conclusion that if we were able to mobilize the political forces in the country and to direct the scientific and technical capacities we have into reforms that unquestionably stand before us, I would truly be optimistic that in a year we could turn the economy around and after that, begin expansion.

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OIL PRODUCTS CONSUMPTION IN FIRST QUARTER OF 1981

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Jun 81 p 34

[Text] In the first quarter of this year consumption of petroleum derivatives was approximately the same as in this period last year; 1980 consumption was 3,486,000 tons, and consumption this year is 3,494,000 tons of derivatives. Of course, the relation between last year's and this year's consumption is not the same for each individual derivative. Here is how some of the most important of them look. There was a decline in consumption of fuel oil (510,000 tons were consumed in the first quarter of this year and 521,000 tons last year), diesel fuel (600,000 tons and 630,000 tons, respectively) and gasoline (417,000 tons and 427,000 tons, respectively). The consumption of mazut by contrast increased 13,000 tons (from last year's 1,423,000 tons), and there was also an increase in the consumption of primary gasoline (from last year's 91,000 tons to this year's 128,000 tons) and liquefied gas (from 110,000 tons to 120,000 tons). Certainly the least desirable phenomenon in this past quarter was the increased consumption of mazut (though the increase was not large), which occurred "in spite of" the goals which had been set to reduce the consumption of this derivative and to replace it with coal.

The figures also confirm a fact that petroleum industry people have been debating more than anything else in the recent past--that all regions are not equally well supplied, that is, that the needs of certain consumers are being met more abundantly and better than those of others. That is, whereas in Vojvodina, Croatia and Bosnia-Hercegovina (which have "their own" refineries) consumption was up over 1980, in Montenegro, Macedonia, Slovenia and Serbia it was down. The increase was marked in Vojvodina and amounted to 11 percent, while in Croatia and Bosnia-Hercegovina it was hardly noticeable at 2 percent and 1 percent, respectively. Consumption dropped most in Montenegro--16.5 percent, and then in Macedonia (7 percent), Slovenia (4 percent) and Serbia (only 1 percent). Kosovo, where consumption increased 11.6 percent, was an exception.

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KOSOVO ENERGY PLANS TO 1985 OUTLINED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Jul 81 pp 20-21

[Excerpt] Under the agreement on Development of the Fuel and Power Industry of SAP [Socialist Autonomous Province] Kosovo from 1981 to 1985, a high growth rate of consumption and production of all sources of energy (except petroleum) is planned in the province. It is envisaged that over this entire medium-term period the need for coal in Kosovo will be greater than production. There is no need to specifically emphasize that Kosovo is not only our largest coal center, but also is among the largest coal-mining centers in Europe, and that its reserves are estimated at about 14 billion tons. At present, however, the agreement contains no measures at all for possible correction of this imbalance.

The shortfall of coal in the total budget is actually an expression of the discrepancy between coal production and the needs of the thermal electric power plants. In this medium-term period consumption by steam plants will nearly double, and we already mention that even today they have problems with supply. Total coal consumption in Kosovo is to increase from 6.7 million tons this year to about 14 million tons in 1985 (at an average annual growth rate of 20.0 percent), while consumption by steam plants would increase from 6.1 to 11.5 million tons. The rest of the coal will be consumed to produce gas and to heat cities, where a sizable increase is also envisaged--at an average annual rate of 18.0 percent, while the average growth rate envisaged for industry and general consumption is 2.3 percent. Coal production, however, though a higher growth rate of 17.0 percent is planned, will not be able to keep up with consumption. In 1981 there will be a shortage of about 170,000 tons, and the shortage in 1985 will be about 200,000 tons of coal.

Electrical power consumption in the province is to grow at an average annual rate of 19.4 percent from 1,800 gigawatt-hours this year to 4,400 gigawatt-hours in 1985, while production would increase at an average rate of 11.0 percent from about 4,000 gigawatt-hours this year to 7,000 gigawatt-hours in 1985. The agreement has also envisaged the drafting in this 5-year period a program for Kosovo's electric power industry in collaboration with other domestic work organizations in the electric power industry and also a program for cooperation with partners from Western Europe in building a thermal electric power plant with a capacity of 4,000 megawatts. Provision has also been made for electrification by the end of 1985 of all places in Kosovo which do not yet have electricity.

According to the agreement, about 26.6 billion dinars will need to be invested in development of Kosovo's fuel and power industry during this medium-term period. The largest part of this (nearly 10 billion) will be invested in reconstruction and expansion of open-cut lignite mines, and then 6.5 billion will go to reconstruction and completion of thermal electric power plants, 5 billion to installations for gasification of coal (with a capacity of 5 million cubic meters), 1 billion dinars will be invested in facilities which are to provide for continuity and which are to be ready in the coming medium-term period (the "Zur" Hydroelectric Power Plant and the thermal electric power plant with a capacity of 4,800 megawatts). The principal sources of financing are the resources of electric power consumers (8.6 billion), foreign credit (5.2 billion), domestic credit (4.3 billion) and the electric power industry's own share (3 billion).

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CSO: 2800/260

BAJT STATEMENT ON SELF-MANAGEMENT ACCORDS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Jun 81 p 13

[Text] On Monday the Presidium of the Slovenian LC Central Committee disavowed certain tendencies which it found in an article by Aleksandar Bajt published in the most recent issue of the monthly PRIVREDNA KRETANJA JUGOSLAVIJE [YUGOSLAVIA'S ECONOMIC TRENDS]. That is, as reported by BORBA, "certain of Dr Bajt's observations in that survey were judged to be correct and acceptable, while those in which he says that the conclusion of self-management accords and social compacts violates the unity of the market and the like were seen to be unsuitable and unacceptable."

We looked for the key passage about the role of self-management accords and social compacts in Bajt's text, which is not short, but is certainly consistent. Probably the reference is to the passage which reads: "Although in all our normative acts, from the constitution right on down, grounds can be found for arguing the opposite, it can still be argued that the system for concluding accords and agreements is conceived and carried out as a substitute for both the market and the economic system in the sense of economic policy instruments.... In the opinion of certain economists, this would create a kind of socialist market which would eliminate the anarchy of the usual 'marketplace' market. The basic question is How? In what way?... After all, what happened last year and to a considerable extent has extended even into this year, that is, the creation of parallel, 'gray,' in any case partial markets, not only in the foreign exchange sector, but above all in dinar sales (aside from the price, contracts cover shares in covering losses, in higher production costs, the financing of investments and even social services, the sale of nonexistent products, of products covered by stipulations, and the like), must be regarded not as the results of the pathological innovativeness of the purchasing and sales departments, but natural, that is, the inevitable and predictable result of substituting accords and compacts for the market and the economic system.

"One way out of this situation was for someone outside the system of accords and compacts, that is, outside associated labor, to assume responsibility for the proper conclusion of accords and compacts, to act in fact as an external conductor uniting the individual musicians so that they play the same concert. One candidate for this conductor was the government, and the other the subjective forces. The present system largely functions on that basis, though it is obvious that this is not a solution that conforms to authentic self-management. This would be a directed and controlled self-management, self-management under a tutor, and actually

a negation of self-management. It is also unacceptable for purely practical reasons. It is not possible to conduct the orchestra represented by a contemporary national economy from a single center. This means that the conducting should be passed on to the state or political organizations at the lower levels. The theory o' images, and experience confirms, that in such a case the government and politi- conductors at the lower level identify themselves to such an extent with those they are supposed to be conducting, that they are transformed from administrative or political entities into economic entities with material interests similar to those of their own sector of associated labor. A regional partialization is also added thereby to the partialization of the market which follows from the partial nature of the accords and compacts concluded.

"Since for obvious reasons we are detouring around substitution of the system of government-administrative supervision of the economy or the self-management system of decisionmaking, without stating the specific arguments, a second solution is still to subordinate the conclusion of compacts and accords to the market, and, if aside from individual efficiency, one also wishes to ensure social and economic efficiency, it would also be subordinate to the economic system in the more strict definition previously set forth. According to that solution, the conclusion of social compacts and self-management accords would not be a substitute for the market and the economic system. This is a form in which and a means by which market laws are realized and corrected by the economic system. The extent to which the conclusion of accords and compacts realizes market relations corrected by the economic system must be regarded as the criterion of its successful performance. This is the solution we advocate."

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